



Update MBB – OUTPERFORM

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Recommendation **OUTPERFORM**

HOSE: MBB

Banking

Current price (VND) 22.750

Target price (VND) 25.600

Expected share price return +12,5%

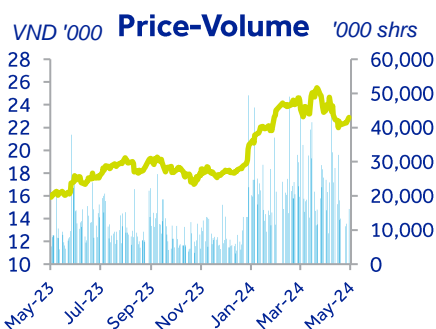
Expected dividend yield 2,2%

Expected total return +14,7%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	22.8	-7.4	3.0	43.2
Relative	12.6	-3.5	-1.3	24.8

Source: Bloomberg



Ownership

Viettel	19.0%
SCIC	9.8%
Việt Nam Helicopter	8.4%
Sài Gòn New Port	7.1%
Others	55.7%

Stock Statistics **09-May-24**

Bloomberg code	MBB VN
52-week range (VND)	15,783-25,700
No. of shares (m)	5,287
Mkt cap (VND bn)	121,074
Mkt cap (USD m)	4,756
Foreign room left (%)	0.0
Est. free float (%)	67.5
3m avg daily vol (shs)	22,984,800
VND/USD	25,457
VN-Index/HNX-Index	1241.58/232.29

MILITARY COMMERCIAL JS BANK (MBB)

We downgrade MBB from BUY to **OUTPERFORM** based on: (1) we reduce target price by 14.7% to VND25,600/share compared to the previous report due to adjusting the PBT forecast for 2024 to reduced by 7% and bad debt increased more than expected, and (2) the stock price has increased 11% since our last report, bringing the upside potential to 12.5%. Our new target price is equivalent to P/E of 6.6x and P/B of 1.2x at the end of 2024.

Q1/24 business results were not positive, as credit increased slowly, NIM decreased and provision costs increased sharply, causing PBT to decrease by 11.0% q/q and 7.8% y/y, to VND 5,795 billion, completing 20-21% of the full year plan and 20% of ACBS's forecast.

Profit in 2024 is forecast to stay flat due to high provision costs

MBB's profit plan to grow by only 6-8% in 2024, despite the credit growth target of 20-25%/year. However, we assess this modest profit growth plan to be reasonable as NIM for the whole year 2024 is forecast to decrease by 0.42 percentage points to 4.45% and bad debt risks are still present.

NFI is expected to grow by 16.2% in 2024 thanks to the recovery of service income, forex trading, government bond trading and off-balance sheet NPL collection.

We expect operating costs to continue to be tightly controlled and stay flat in 2024. CIR is forecast to decrease to 27.7% in 2024 from 31.5% in 2023.

Provision costs in 2024 are forecast to increase by 80.6% to provision for new NPLs and strengthen the provision buffer, which is no longer thick (NPL coverage ratio was 80% by the end of Q1/24).

PBT in 2024 is forecast to reach VND 28,271 billion, an increase of **7.5%** compared to 2023.

(VND bn)	2020	2021	2022	2023	2024F	2025F
Credit growth	21.4%	26.1%	24.9%	28.0%	25.0%	23.0%
NIM	4.77%	5.10%	5.76%	4.87%	4.45%	4.57%
NFI proportion	25.9%	29.1%	21.0%	18.2%	18.4%	16.3%
TOI growth	11.0%	35.0%	23.4%	3.8%	14.8%	21.6%
CIR	38.6%	33.5%	32.5%	31.5%	27.7%	25.1%
Credit costs	-2.1%	-2.2%	-1.8%	-1.1%	-1.9%	-2.3%
Profit before tax	10,688	16,527	22,729	26,306	28,271	32,658
growth	6.5%	54.6%	37.5%	15.7%	7.5%	15.5%
PAT after minority	8,263	12,697	17,483	20,677	22,222	25,669
Profit attributable	7,714	11,888	16,178	19,090	20,517	23,700
Adjusted EPS (VND)	2,782	3,146	3,568	3,661	3,881	4,483
BVPS (VND)	17,275	15,768	16,751	17,786	21,149	25,131
ROA	1.7%	2.2%	2.4%	2.3%	2.0%	1.9%
ROE	18.0%	22.1%	23.9%	22.6%	20.1%	19.4%
CAR (Basel 2)	10.0%	11.0%	12.0%	10.8%	10.8%	10.4%
P/E (x)	15.6	10.1	7.4	6.3	5.9	5.1
P/B (x)	2.5	2.0	1.6	1.3	1.1	0.9
DPS (VND)	-	-	-	500	500	500
Dividend yield	0.0%	0.0%	0.0%	2.2%	2.2%	2.2%

PBT in Q1/24 reached VND5,795 billion, -11.0% y/y and -7.8% q/q

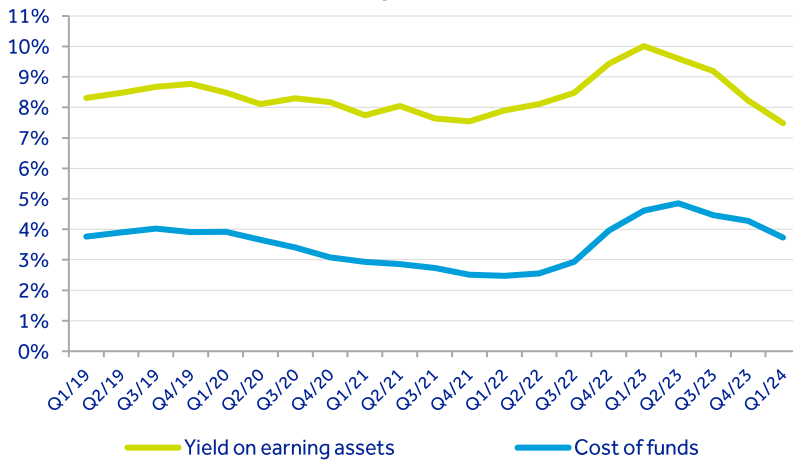
(Unit: VND bn)	Q1/2023	Q2/2023	Q3/2023	Q4/2023	Q1/2024
Net interest income	10,227	9,481	9,812	9,163	9,062
% q/q	6.2%	-7.3%	3.5%	-6.6%	-1.1%
Non-interest income	1,703	2,079	2,253	2,587	2,954
% q/q	-19.8%	22.1%	8.4%	14.8%	14.2%
Operating expenses	(3,568)	(4,135)	(3,334)	(3,876)	(3,514)
CIR	29.9%	35.8%	27.6%	33.0%	29.2%
Provision expenses	(1,850)	(1,203)	(1,447)	(1,587)	(2,707)
Profit before tax	6,512	6,223	7,284	6,287	5,795
% q/q	43.5%	-4.4%	17.0%	-13.7%	-7.8%
Accrued interests	8,270	9,385	9,981	8,669	7,797

Source: MBB

Unimpressive business results in Q1/24 show that MBB is still facing many difficulties. Specifically:

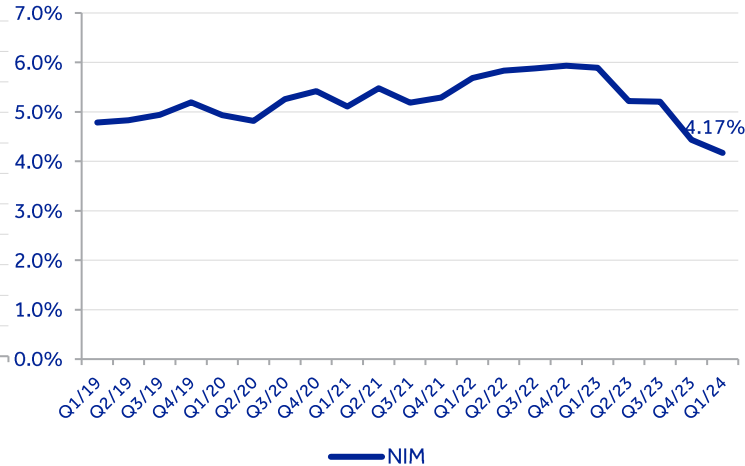
- (1) **MBB's Q1/24 credit only increased slightly by 0.4% ytd and 23.8% y/y**, compared to the credit growth of the banking industry of 1.34% ytd and of listed banks of 1.9% ytd.
- (2) **NIM in Q1/24 dropped sharply by 1.72 percentage points q/q and 0.27 percentage points y/y, to 4.17%**, due to the impacts of loan interest support packages and the difficulty in consumer finance segment. We expect NIM can recover in the following quarters when these interest support packages expire.
- (3) **Non-interest income reached VND2,954 billion, +14.2% q/q**. In particular, MBB booked a profit of nearly VND1,200 billion on the government bond portfolio during the period when government bond yields were low in Q1/24.
- (4) **Provision costs in Q1/24 surged by 46.4% y/y and 70.6% q/q** due to a sharp increase in NPLs. Specifically, NPL ratio increased by 0.88 percentage points in Q1/24 to 2.49%, equivalent to an increase of VND7,460 billion in NPLs (including written-off NPLs). The reason shared by MBB is because a customer was transferred to lower loan group at another bank. We think that these may be loans related to one/several companies in the renewable energy segment that are currently having problems with cash flow to repay debt.
- (5) **NPL coverage ratio at the end of Q1/2024 reached 80%** - the lowest level in more than 10 years. This shows that MBB's credit costs are lower than the increase of NPLs and the pressure on provisioning in the coming quarters will be high.
- (6) **Operating expenses decreased by 1.5% y/y and 9.3% q/q**, pulling CIR down to 29.2% in Q1/24.
- (7) **Accrued interests in Q1/24 were VND 7,797 billion**, equivalent to 43 days of interest receivable, in the average group in the industry and continuing the downward trend in the last 3 quarters.

Earning yields dropped sharply due to the impact of interest support packages and difficult consumer finance...



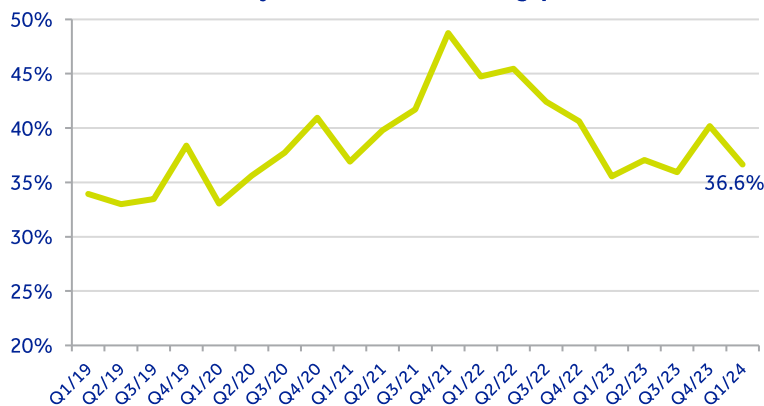
Source: MBB, ACBS estimated

... caused NIM to sharply decrease in Q1/24



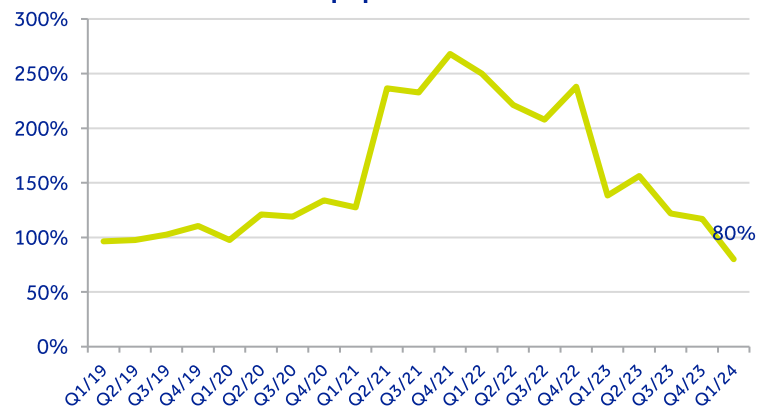
Source: MBB, ACBS estimated

CASA decreased in Q1/24 due to seasonal factors and may recover in the following quarters



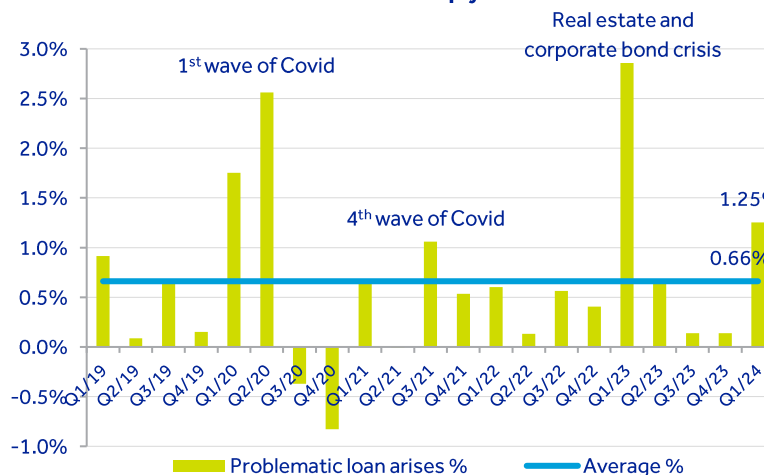
Source: MBB, ACBS estimated

NPL coverage ratio was eroded because provisioning was not keep up with the increase in NPLs



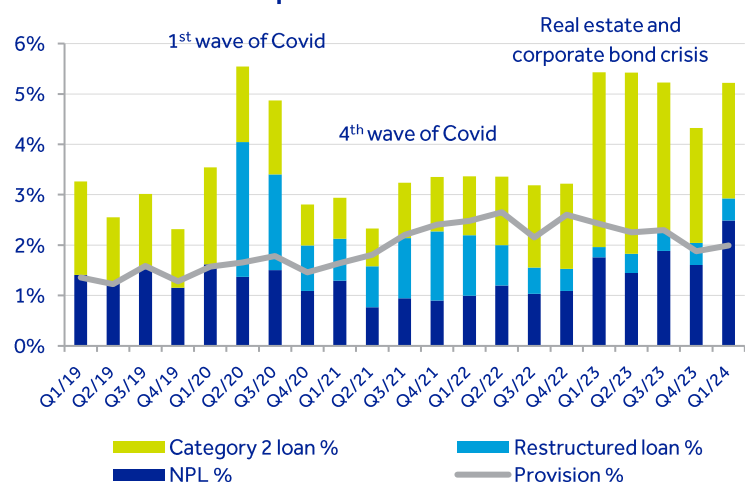
Source: MBB, ACBS estimated

Problematic loan arises (including restructured loan) increased sharply in Q1/24



Source: MBB, ACBS estimated

Asset quality deteriorated, NPL ratio increased while provision buffers thinned



Source: MBB, ACBS estimated

(Unit: VND billion, unless otherwise stated)	Market price (VND):	22,750	Target price (VND):	25,600	Market cap (VND bn):	120,281	
INCOME ITEMS	2019	2020	2021	2022	2023	2024F	2025F
Net interest income	18,000	20,278	26,200	36,023	38,684	44,311	55,273
Net fee & commission income	3,186	3,576	4,367	4,136	4,085	4,698	5,403
Other non-interest income	3,465	3,509	6,368	5,434	4,537	5,321	5,364
Total operating income	24,650	27,362	36,934	45,593	47,306	54,330	66,039
Growth (%)	26.2%	11.0%	35.0%	23.4%	3.8%	14.8%	21.6%
Operating expenses	(9,724)	(10,555)	(12,377)	(14,816)	(14,913)	(15,062)	(16,568)
Profit before provision & tax	14,927	16,807	24,557	30,777	32,393	39,267	49,471
Provision expenses	(4,891)	(6,118)	(8,030)	(8,048)	(6,087)	(10,996)	(16,813)
Profit before tax	10,036	10,688	16,527	22,729	26,306	28,271	32,658
Growth (%)	29.2%	6.5%	54.6%	37.5%	15.7%	7.5%	15.5%
PAT after minority interests	7,823	8,263	12,697	17,483	20,677	22,222	25,669
Profit attributable to shareholders	7,373	7,714	11,888	16,178	19,090	20,517	23,700
Adjusted EPS (VND)	3,170	2,782	3,146	3,568	3,661	3,881	4,483
BALANCE SHEET ITEMS	2019	2020	2021	2022	2023	2024F	2025F
Outstanding loans & corporate bonds	265,498	322,278	406,518	507,683	649,795	812,244	999,060
Growth (%)	18.8%	21.4%	26.1%	24.9%	28.0%	25.0%	23.0%
Customer deposit	272,710	310,960	384,692	443,606	567,533	681,039	837,678
Growth (%)	13.6%	14.0%	23.7%	15.3%	27.9%	20.0%	23.0%
Total assets	411,488	494,982	607,140	728,532	944,954	1,134,085	1,389,724
Shareholder's equity	37,998	47,907	59,575	75,949	92,738	111,816	132,872
BVPS (VND)	16,338	17,275	15,768	16,751	17,786	21,149	25,131
KEY RATIOS	2019	2020	2021	2022	2023	2024F	2025F
NPL	1.2%	1.1%	0.9%	1.1%	1.6%	1.8%	1.7%
NPL coverage	110%	134%	268%	238%	117%	104%	100%
NIM	4.9%	4.8%	5.1%	5.8%	4.9%	4.5%	4.6%
CIR	39%	39%	34%	32%	32%	28%	25%
ROA	1.9%	1.7%	2.2%	2.4%	2.3%	2.0%	1.9%
ROE	20.9%	18.0%	22.1%	23.9%	22.6%	20.1%	19.4%
CAR (Basel 2)	10.1%	10.0%	11.0%	12.0%	10.8%	10.8%	10.4%
P/E (x)	16.3	15.6	10.1	7.4	6.3	5.9	5.1
P/B (x)	3.2	2.5	2.0	1.6	1.3	1.1	0.9
Dividend yield	2.7%	0.0%	0.0%	0.0%	2.2%	2.2%	2.2%

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BUY	: total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher.
OUTPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%.
NEUTRAL	: total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%.
UNDERPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from -10 to -20%.
SELL	: total stock returns (including dividend yield) over the next 12 months are forecast to be -20% or lower.

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