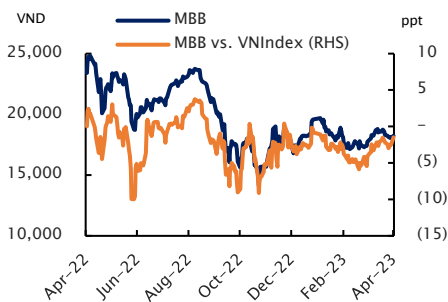


BUY

TP upside: +38%
Close: 28 Apr 2023
Price VND18,450
12M Target VND25,480
Share price performance relative to VNI

Source: Bloomberg

| | |
|-------------------------------|-------------------|
| Market cap | US\$3.5 bn |
| 6M avg. daily turnover | US\$9.0 mn |
| Outstanding shares | 4,534 mn |
| Free float | 55% |
| FINI ownership | 23.2% |
| Major shareholders | 62.2% |
| 2023E Asset/Equity (*) | 7.8x |
| 2023E P/E (*) | 3.9x |
| 2023E P/B (*) | 0.9x |
| FOL Remaining Room | 0.0% |
| 2023E Dividend yield | 2.7% |

Source: FiinPro, (*) Yuanta Vietnam

| MBB's 1Q23 Results | 1Q23 | % QoQ | % YoY |
|-----------------------|--------|---------|---------|
| NII (VND bn) | 10,227 | 6% | 22% |
| Net Fee Inc. (VND bn) | 690 | -44% | -38% |
| Adj. TOI (VND bn) | 11,463 | 1% | 3% |
| Opex (VND bn) | 3,568 | -2% | -1% |
| Provision (VND bn) | 1,850 | -48% | -13% |
| PATMI (VND bn) | 5,024 | 46% | 11% |
| NPL (%) | 1.76% | +66bps | +76bps |
| LLR (%) | 138% | -100ppt | -112ppt |
| CASA (%) | 35.5% | -5.1ppt | -9.2ppt |

Source: Company Data, Yuanta Vietnam

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Military Bank (MBB VN)

Reduced provisioning lifts 1Q earnings

MBB reported 1Q23 PATMI of VND5.0 tn (+46% QoQ/+11% YoY), which completed 25% of the bank's full-year target and 24% of our forecast. The earnings increase was largely driven by reduced provisioning.

Details

Credit increased by +3.8% QoQ in 1Q23, versus the sector's average credit growth of +2.1% QoQ.

Net interest income (NII) was VND10.2 tn (+6% QoQ/+22% YoY) in 1Q23. Annualized NIM on average assets was 5.49% (-7bps QoQ/+15 bps YoY) in 1Q23, on our calculations.

Net fee income was VND690 bn (-44% QoQ/-38% YoY) in 1Q23. Net insurance sales declined by -40% QoQ/-14% YoY, and net brokerage fees dropped by -32% QoQ/-65% YoY.

FX trading gains reached VND371bn (+2% QoQ/-21% YoY) in 1Q23.

Loan loss recoveries were VND333 bn (-18% QoQ/-5% YoY) in 1Q23.

Opex was VND3.6tn (-2% QoQ/-1% YoY) in 1Q23, resulting in a lower adjusted CIR of 31% (-1.0ppt QoQ/-1.3ppt YoY) on our calculations.

Provisioning declined to VND1.9 tn (-48% QoQ/-13% YoY), which was the key earnings growth driver in 1Q23, in our view.

LLR ratio fell to 138% (-100ppt QoQ/-112ppt YoY) in 1Q23, while MBB's 1Q23 NPL ratio jumped to 1.76% (+66bps QoQ/+76bps YoY). Category 3 NPLs jumped by +128% QoQ/+161% YoY, cat. 5 NPLs surged by +47% QoQ/+166% YoY. Category 2 (i.e., special mention) loans rose by +114% QoQ/+243% YoY.

Total corporate bonds decreased by -3% QoQ to VND45.5 tn, or 6.0% of total assets at 1Q23 (versus 6.4% at 4Q22).

Total MBB's total credit exposure to Novaland (NVL) was VND7.9 tn (-16% vs. 4Q22) or 1.0% of total assets.

CASA ratio declined to 35.5% as at 1Q23 (-5ppt QoQ/-9ppt YoY).

Our view

Signs of asset quality deterioration: the significant increase in the NPL ratio and decline in the LLR ratio in 1Q23 are concerning, even though we expect [Circular 02/2023/TT-NHNN](#) and [Circular 03/2023/TT-NHNN](#) to alleviate provisioning pressure and reduce reported NPLs.

MBB's CASA ratio decreased, but it remains the highest in the sector, reflecting the bank's strong funding franchise. We anticipate the CASA ratio to recover in 2Q23 and subsequent quarters given decreasing term deposit rates and increasing credit demand.

Valuation is attractive. [MBB](#) offers superior operational quality but trades at 0.9x 2023E P/BV, which is below the sector median of 1.1x. Our target price offers a 12-m TSR of +41%. We thus reiterate our BUY recommendation, although rising NPLs represent a potential investment risk.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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