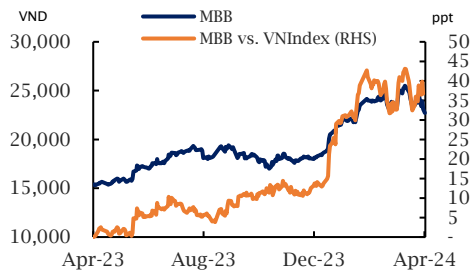


BUY

TP upside: +43%
Close 19 Apr 2024
Price VND 22,700
12M Target VND 32,480

Share price performance relative to VNI


Source: Bloomberg

Market cap	US\$4.7 bn
6M avg. daily turnover	US\$16.6 mn
Outstanding shares (**)	5,287 mn
Free float	55%
FINI ownership	23.2%
Major shareholders	48.7%
2024E Asset/Equity (*)	9.3x
2024E P/E (*)	4.9x
2024E P/B (*)	1.1x
FOL Remaining Room	0.0%
2024E Dividend yield	2.2%

Source: FiinPro, (*) Yuanta Vietnam

MBB's 1Q24 Results	1Q24	% QoQ	% YoY
NII (VND bn)	9,062	-1%	-11%
Net Fee Inc. (VND bn)	945	-35%	37%
Adj. TOI (VND bn)	11,652	6%	2%
Opex (VND bn)	3,514	-9%	-2%
Provision (VND bn)	2,707	71%	46%
PATMI (VND bn)	4,533	-9%	-10%
NPL (%)	2.49%	88bps	73bps
LLR (%)	80%	-37ppt	-58ppt
CASA (%)	36.6%	-3.5ppt	1.1ppt

Source: Bloomberg, Yuanta Vietnam

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Military Bank (MBB VN)

Lowered asset quality

1Q24 PATMI was VND4.5 tn (-9% QoQ/-10% YoY), completing 18% of our forecast. MBB targets PBT to grow by 6-8% YoY in 2024 compared to our forecast of 24%. We believe MBB's target is quite conservative.

Credit was nearly flat YTD in 1Q24. Net interest income was VND9.0 tn (-1% QoQ/-11% YoY).

MBB's CASA ratio (CASA/customer deposits) declined to 36.6% (-3.5ppt QoQ/but +1.1 ppt YoY).

Annualized NIM/average assets was 3.93% (-24bps QoQ/-1.6ppt YoY) in our calculation.

MBB increased provisioning by +71% QoQ/+46% YoY to VND2.7 tn, which dragged down earnings in 1Q24.

NPL ratio jumped to 2.49% (+88bps QoQ/+73bps YoY), which is the key reason that lowered the LLR ratio to 80% (-37ppt/-58ppt YoY).

The bank plans to pay a cash dividend of VND500/share. MBB will also issue 796 million shares to pay a stock dividend in 2024 and issue 62 million shares via private placement from 2024 to 2Q25. After the transaction, MBB's charter capital will increase to VND61,643 bn (USD2.5 bn)

Our view

We think MBB's profit targets are too conservative. The bank's participation in third-party bank restructuring should result in a higher credit growth quota than +16%. Our PBT growth forecast of +24% for 2024 is 14ppt higher than guidance.

MBB's CASA ratio declined in 1Q24, but this appears to follow a seasonal pattern, typically characterized by a drop in the first quarter followed by an improvement in subsequent quarters.

However, keep an eye on NPLs. Cat.5 NPL jumped by 109% YTD, and cat.4 increased by 41% YTD.

Below is our assessment of MBB's cash dividend policy. We think that MBB can maintain cash dividend payment.

Year	2023	2024E
FCFE	3,552	6,459
Dividend paid	2,267	2,607
Share buyback	-	-
Total cash paid	2,267	2,607
FCFE - Cash paid	1,285	3,852

Performance Ratios	2023
1. Accounting Measure	
ROE	23.1%
Required rate of return	12.9%
ROE - Cost of Equity	10.2%
2. Stock Performance Measure	
Returns on stock	25.4%
Required rate of return	12.9%
Jensen's alpha	12.5%

• FCFE > Dividends
 • ROE > COE
 • Stock return > COE
 • Tier 1 (9.7%) > 8.0%

MBB's FCFE was slightly higher than its dividend payment in 2023. It generated excess return of about 10% and delivered alpha of 13%.
 Thus, MBB can maintain its current cash dividend policy. However, MBB can also consider reducing its cash payment to strengthen its Tier 1 given its high ROE and positive alpha. MBB's Tier 1 ratio of 9.7% is far below that of ACB of 12.9%.

Valuation of 1.1x 2024E PB is only in line with the sector median. This is despite MBB's superior operational efficiency and higher 2024E ROE of 23% in our forecast than the sector median of 18%.

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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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