

BUY

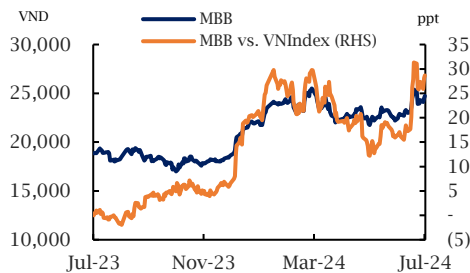
TP upside: +31%

Close 31 Jul 2024

Price VND 24,400
12M Target VND 31,980

** TP adjusted for dividends*

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$5.2 bn
6M avg. daily turnover	US\$21.5 mn
Outstanding shares (**)	5,306 mn
Free float	55%
FINI ownership	23.2%
Major shareholders	48.7%
2024E Asset/Equity (*)	9.3x
2024E P/E (*)	5.3x
2024E P/B (*)	1.1x
FOL Remaining Room	0.0%
2025E Dividend yield	2.0%

Source: FiinPro, (*) Yuanta Vietnam

MBB's	2Q24	% QoQ	% YoY
NII (VND bn)	10,531	16%	11%
Net Fee Inc. (VND bn)	1,354	43%	57%
Adj. TOI (VND bn)	13,094	12%	20%
Opex (VND bn)	4,491	28%	9%
Provision (VND bn)	2,006	-26%	67%
PATMI (VND bn)	6,027	33%	23%
NPL (%)	1.64%	-85bps	19bps
LLR (%)	102%	22ppt	-54ppt
CASA (%)	38.6%	2.0ppt	1.6ppt

Source: Bloomberg, Yuanta Vietnam

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Bloomberg code: YUTA

Military Bank (MBB VN)

Improved asset quality

2Q24 PATMI surged by +33% QoQ/+23% YoY to VND6.0 tn, completing 41% of our forecast, as net interest income underperformed our assumption due to lower-than-expected NIM.

Details

Credit increased by 9.4% YTD in 1H24, whereas it was nearly flat in 1Q24. Net interest income jumped +16% QoQ/+11% YoY to VND10.5tn, driven by lower interest expense (-11% QoQ/-19% YoY).

Annualized NIM on average assets was 4.46% (+53bps QoQ/-38bps YoY) in 2Q24, based on our calculation.

MBB's CASA ratio improved to 38.6% (+2.0ppt QoQ/ +1.6 ppt YoY), a key attraction of MBB amid rising interest rates in 2H24.

Opex was VND4.5tn (+28% QoQ/+9% YoY). We estimate adjusted CIR was 34.3% (+4.1 ppt QoQ/-3.5ppt YoY) in 2Q24.

Provisioning was VND2.0tn (-26% QoQ/ but +67% YoY).

Aggregated NPLs dropped by -28% sequentially and the NPL ratio declined to 1.64% (-85bps QoQ/but +19bps YoY). MBB's LLR ratio was 102% at 2Q24 (+22ppt QoQ/ but -54ppt YoY).

Exposure to corporate bonds decreased to 3.7% of total assets (-40bps QoQ/-1.6ppt YoY) in 2Q24.

Credit exposures to Novaland (NVL VN) declined sequentially to VND8.9 tn (-9.6% QoQ), equivalent to 0.9% of MBB's assets and 8.5% of its equity. This includes both direct loans to NVL and bonds issued by the troubled developer.

Our view

King of CASA. MBB's improved CASA ratio should help to support NIM in an environment of rising interest rates going forward.

Better asset quality. MBB's high exposure to corporate bonds (mostly related to real estate developers) has adversely its asset quality. However, we expect the new laws related to real estate to boost the major property developers over time, which should gradually support an improvement in confidence regarding asset quality at MBB.

Yuanta Vietnam does not expect an upshift in the property market cycle until at least 2H25. However, we believe that the banks' NPL ratios have already peaked, a view that is supported by MBB's results in 2Q24.

Valuation is cheap at 1.1x 2024E PB, which is slightly lower than the sector median despite MBB's superior operational efficiency: we forecast 2024E ROE of 23% vs. the sector median of 18%. We reiterate BUY on [MBB](#), with expected 12-month TSR of 33%.

The table on Page 2 illustrates MBB's credit exposures to Novaland as at 2Q24 and impacts to MBB. (please see page 2)

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MBB's credit exposures to Novaland and impacts to MBB

Total credit exposures to Novaland (NVL) (including loans and bonds) were VND8.9 tn (-9.6% QoQ) as at 2Q24.

This is equivalent to 0.9% of MBB's assets and 8.5% of its equity.

In the worst case, which we do not think it will happen, the loss of 100% of MBB's credit to NVL in 2024E would result in full-year provisioning coming in +115% above our forecast and PATMI would drop by -27% below our forecast, with ROE falling from 23.4% in our base case to 17.6%.

Again, we do not think that this will be the case, given our expectation of gradual recovery of the real estate market with the support of new real estate laws starting from Aug 1, 2024.

Unit: VND bn

Sensitivity analysis on provisioning related to NVL	Total exposure to Novaland				Total
	ST Loans	LT loans	ST Bonds	LT Bonds	
	75	2,384	1,688	4,750	8,897
Additional provisioning related to NVL (% credit exposure to NVL)	20%	40%	60%	80%	100%
Provisioning (base case) (VND bn)	(7,693)	(7,693)	(7,693)	(7,693)	(7,693)
Additional provisioning related to NVL (VND bn)	(1,779)	(3,559)	(5,338)	(7,118)	(8,897)
Total provisioning (VND bn)	(9,473)	(11,252)	(13,032)	(14,811)	(16,590)
2024E Net income (base case) (VND bn)	25,667				
2024E Net income (downside case) (VND bn)	24,268	22,870	21,472	20,074	18,676
vs. base case	-5%	-11%	-16%	-22%	-27%
2024E ROE (base case)	23.4%				
2024E ROE (downside case)	22.3%	21.1%	20.0%	18.8%	17.6%
vs. base case	-1.1%	-2.3%	-3.4%	-4.6%	-5.8%

Source: Novaland Financial Statements, Yuanta Vietnam

Appendix A: Important Disclosures

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