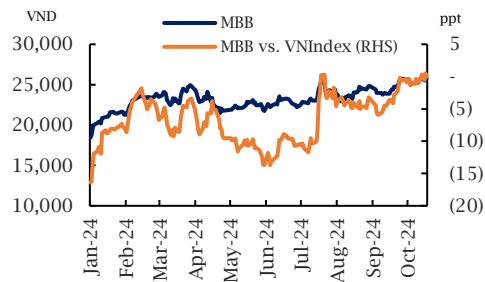


## BUY

**TP upside: +32%**
**Close 29 Oct 2024**
**Price** VND 25,000  
**12M Target** VND 32,920

**Share price performance relative to VNI**


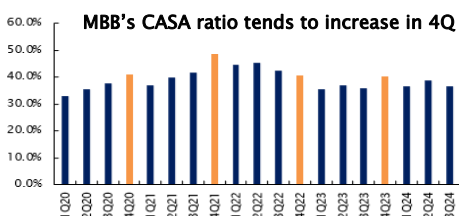
Source: Bloomberg

<b>Market cap</b>	<b>US\$5.5 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$17.8 mn</b>
<b>Outstanding shares (**)</b>	<b>5,306 mn</b>
<b>Free float</b>	<b>55%</b>
<b>FINI ownership</b>	<b>23.2%</b>
<b>Major shareholders</b>	<b>48.7%</b>
<b>2024E Asset/Equity (*)</b>	<b>9.3x</b>
<b>2024E P/E (*)</b>	<b>5.4x</b>
<b>2024E P/B (*)</b>	<b>1.2x</b>
<b>FOL Remaining Room</b>	<b>0.0%</b>
<b>2025E Dividend yield</b>	<b>2.0%</b>

Source: FiinPro, (\*) Yuanta Vietnam

MBB's	3Q24	% QoQ	% YoY
NII (VND bn)	10,417	-1%	6%
Net Fee Inc. (VND bn)	888	-34%	-18%
Adj. TOI (VND bn)	12,026	-8%	5%
Opex (VND bn)	3,756	-16%	13%
Provision (VND bn)	1,640	-18%	13%
PATMI (VND bn)	5,790	-4%	0%
NPL (%)	2.23%	60bps	35bps
LLR (%)	69%	-33ppt	-53ppt
CASA (%)	36.5%	-2.1ppt	60bps

Source: Company Data, Yuanta Vietnam



Source: FiinPro, Yuanta

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## Military Bank (MBB VN)

### Asset quality turned south

3Q24 PATMI was VND5.8 tn (-4% QoQ/flat YoY), as net interest income and net fee income underperformed our assumptions. 9M24 PATMI increased by only +4% YoY to reach VND16.4 tn, completing just 64% of our forecast.

### Details

**Credit increased by 13.5% YTD in 9M24.** MBB posted net interest income of VND10.4 tn (-1% QoQ/+6% YoY).

**CASA ratio decreased to 36.5%** (-2.1ppt QoQ/ but +60bps YoY), ceding its King of CASA position to TCB.

**Annualized NIM on average assets fell to 4.13%** (-33bps QoQ/-71bps YoY) in 3Q24, based on our calculation.

**Net fees declined by -34% QoQ/-18% YoY to VND888 bn.** Net income from insurance declined by -23% QoQ/-17% YoY, while net brokerage income from its subsidiary - MBS was VND247 bn (-22% QoQ/-32% YoY),

**Opex was VND3.8tn** (-16% QoQ/ but +13% YoY) in 3Q24. We estimate the adjusted CIR (excluding net other income) was 31.2% (-3.1ppt QoQ/ but +2.2ppt YoY) in 3Q24.

**Provisioning was VND1.6tn** (-18% QoQ/ but +13% YoY).

**Aggregated NPLs jumped by 42% sequentially and the NPL ratio increased to 2.23%** (+60bps QoQ/+35bps YoY). As a result, MBB's LLR ratio declined to 69% at 3Q24 (-33ppt QoQ/ -53ppt YoY).

**Corporate bonds / total assets continued to decrease to reach 3.4%** (-30bps QoQ/-1.6ppt YoY) in 3Q24.

### Our view

**Asset quality turned south**, with rising NPLs and LLR now far below 100%. The sharp increase in NPLs is probably due to Typhoon Yagi, along with some restructured loans being reclassified into bad debt. Recall that MBB's NPL ratio jumped to 2.49% in 1Q24 but then declined to 1.64% in 2Q24. We expect a similar pattern in 4Q24, with the NPL ratio decreasing into yearend as the economy continues to improve.

**Decreasing corporate bond exposure demonstrates MBB's effort to mitigate risks** associated with these securities, particularly those issued by real estate developers.

**No longer the CASA ratio leader** as at 3Q24. However, we think MBB is likely to reclaim that position, as MBB's CASA ratio tends to increase in the fourth quarter (*please see the figure in the bottom left*).

**Valuation is still attractive at 1.2x 2024E PB, which is in line with the sector median** despite MBB's superior operational efficiency: we forecast 2024E ROE of 23% vs. the sector median of 18%.

**We maintain BUY on MBB**, with [target price](#) of VND32,920 implying a 12-month TSR of 34%.

**Risks:** The key risk is clearly the continuation of rising NPLs, in our view, as well as increased provisioning in 4Q24 to raise the LLR ratio.

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