November 1st, 2023

Shinhan Securities



Military Commercial Joint Stock Bank

[Vietnam / Banking]

Bloomberg Code (MBB VN) | Reuters Code (MBB.HM)

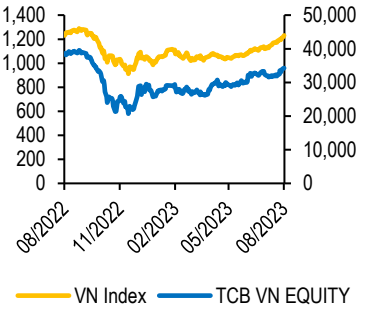
BUY

Update report

Target price (2024)	**VND 30,050**
Current price (31/10/23)	VND 17,100
Upside/downside	75.7%

VNINDEX	1,028
P/E thị trường (23F, x)	10.7
Market Cap (bn VND)	89,161
Outstanding shares (mn)	5,214
Free-Floating (mn)	3,049
Free floating (%)	58.5
52-Wk High/Low (VND)	19,700/11,478
90-day avg. trading volume (mn)	10.62
90-day avg. turnover (bn VND)	182
Foreign ownership (%)	1.2
Major shareholders (%)	Viettel 14.14 SCIC 9.43

Performance	3T	6T	12T
Absolute (%)	16.8	22.2	-10.8
Relative to VN-Index (%)	-0.8	2.5	-10.9



Source: Bloomberg

Phuong Nguyen

☎ (84-28) 6299-9004
✉ phuong.nd@shinhan.com

Ly Bui – Head of research

☎ (84-28) 6299-8029
✉ ly.btt@shinhan.com





Persistence in difficult times

Updated with BUY recommendation, target price VND 30,050

Military Commercial Joint Stock Bank (MBB) has many outstanding achievements in recent years of operation, demonstrated by asset quality, outstanding profits along with highly appreciated credit ratings by international rating agencies. MBB continues to focus on IT development and digital transformation towards the goal of "Becoming a Digital Enterprise, a Leading Financial Group". MBB is a bank with the strength of a high CASA ratio, helping the bank's capital costs to be less volatile in the recent period. With the residual income (RI) method and comparison method based on the P/B index, we update the target price for MBB in 2024 at 30,050 VND, with potential upside at 75.7%.

Business results in 9M2023

MBB's credit balance in the first 9 months of 2023 reached approximately VND577 trillion (+13.7% Ytd, credit room is about 24%). Customer deposits in the Q3/2023 have decelerated, only increasing by about 1%, in 9M/2023 increased by 8.1% Ytd. Annualized COF average capital cost in Q3/2023 has turned down for the first from beginning of 2022. MBB's Annualized NIM in Q3 is estimated at 5.83%, an increase of 4.6bps compared to Q2/2023. Non-performing loan ratio (NPL) increased from 1.44% in Q2/2023 to 1.89% in Q3/2023; However, MBB's group 2 debt also showed signs of reaching its peak when it decreased by more than 14% QoQ. Thanks to the improvement of Annualized NIM, MBB's net interest income in Q3/2023 reached VND 9,811 billion (+3.5% QoQ and 8.5% YoY). MBB made effort to reduce operating costs, CIR in Q3/2023 has decreased to 31%, from 32.5% at the end of 2022. Possessing a large loan loss provision ratio helped the provision expenses in 9M/2023 stayed almost equivalent to the same period. Accumulated in 9M/2023, MBB recorded pre-tax profit of 20,019 billion VND, (+10% YoY), reaching 76% of the year's plan. The consumer finance subsidiary M-credit, insurance, securities and fund management recorded a sharp decrease in profit in 9M/2023.

Outlook for the rest of 2023-2024

We expect MBB's credit growth for the period 2023-2024 to be around 18%. In terms of interest rates, we expect low interest rates environment to remain in the first half of 2024 before adjusting in the second half of the year. Therefore, MBB's NIM may continue to improve slightly in the near future. NPL will likely peak in Q4/2023 at about (1.8-2%) before gradually decreasing in 2024. We forecast pre-tax profit in 2023 to reach 25,463 billion VND (+12.2%); In 2024, it will reach 29,593 billion VND (+16%).

Risk: ((1) Credit demand and real estate market may recover more slowly than expected. (2) Risk provisioning costs may increase due to pressure from NPL.

Year	2020	2021	2022	2023F	2024F
Interest income (VNDbn)	20,278	26,200	36,023	40,964	47,537
Non-interest income (VNDbn)	7,084	10,735	9,570	7,433	10,782
Total operating income (VNDbn)	**27,362**	**36,934**	**45,593**	**48,397**	**58,319**
Provision and other expenses (VNDbn)	(6,118)	(8,030)	(8,048)	(6,910)	(10,657)
Profit before tax (VNDbn)	**10,688**	**16,527**	**22,729**	**25,463**	**29,593**
Credit growth (%)	22.9%	24.6%	25.0%	18.0%	18.0%
NIM (%)	4.7%	5.0%	5.7%	5.5%	5.5%
ROE (%)	**18.4%**	**22.6%**	**24.6%**	**22.1%**	**21.0%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

Shinhan Securities Vietnam Co., Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Securities Vietnam Co., Ltd. , or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure

Outlook for 2023-2024

Year	9M2023	% yoy	2023F	% yoy	2024F	%yoy	Note
Net Interest Income (VNDbn)	29,520	*11.8%*	40,964	13.7%	47,537	16.0%	MBB's net interest income improved well in Q3/2023, which is the basis for us to forecast that the bank's main business segment will continue to grow at 16%. Cost of capital continues to improve, helping banks lower loan interest rates, thereby promoting MBB's credit growth next year. In 2023, we forecast a decrease of more than 20% because the MB Areas Life (Life insurance) was negatively affected and the foreign exchange business was not as effective as the same period last year. However, non-interest income may recover in the 2021-2022 period. Economic improvement also helps the bank gain more income from debt settlement.
Non-interest Income (VNDbn)	6,035	*-19.0%*	7,433	-22.3%	10,782	45.1%	
Total Operating Income (VNDbn)	35,556	*5.1%*	48,397	6.2%	58,319	20.5%	
Profit Before Tax (VNDbn)	20,019	*10.0%*	25,463	12.0%	29,593	16.2%	Based on past trend and the recent increase in NPL of MBB, we assume that the bank will sharply increase provisioning costs in 2024. MBB's EBT may increase by about 16%, lower than 20% growth in total operating income
Net Income (VNDbn)	16,009	*10.0%*	20,371	12.2%	23,675	16.2%	
Non-performing ratio- NPL (%)	1.9%		1.8%		1.6%		Although MBB's group 2 debt tends to decrease in Q3, this debt outstanding still increased by more than 100% compared to the end of 2022. Therefore, we believe that MBB's non-performing loan will continue to remain at a high level. We assume the LLR is around 150%.
Loan Loss Coverage Ratio – LLR (%)	122.0%		150%		150%		
Total Credit Growth – Ytd (%)	*13.7%*		*18.0%*		*18.0%*		MBB's credit growth in the period 2023-2024 is forecast to reach 18.0%.
Customer Deposit Growth – Ytd (%)	*8.1%*		*15.0%*		*13.0%*		
Net Interest Margin – NIM (TTM %)	*5.24%*		*5.48%*		*5.51%*		We expect that MBB's NIM can improve slightly to 5.51% in 2024 thanks to the deep decline in deposit interest rates and the general recovery trend of CASA in the industry.

Valuations and recommendations

Valuation

We use the residual income (RI) method and the P/B valuation method and weight at 60%-40% respectively.

The target price for the stock for the in 2024 is at VND30,050.

1) In the short term, we cautiously use a P/B ratio of 1.0x (below the 5-year average) to value MBB. MBB is one of the bank with high exposure to real estate developers (with its large client Novaland Group still faces a lot of difficulties), both in loan book and bond book. With BVPS forecast for 2023 at VND 37,478, MBB's target price for the next 12 months is expected to be around VND 22,965.

2) For the residual income method, the stock price for the year 2024 is estimated at VND 40,685.

Cost of Equity (%)	
Cost of Equity (%)	**15.3**
Risk-free rate (%)	3.0
Equity risk premium (%)	9.57
Beta	1.28

RI Method					
(Unit: VNDbn)	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Cost of equity	**15.3**	**15.3**	**15.3**	**15.3**	**15.3**
Cost of equity after 2027					**15.3**
Net income	20,371	23,675	31,455	44,560	48,648
Residual income (RI)	6,827	7,067	10,930	18,603	16,011
PV of RI	**6,827**	**6,131**	**8,226**	**12,146**	**9,069**

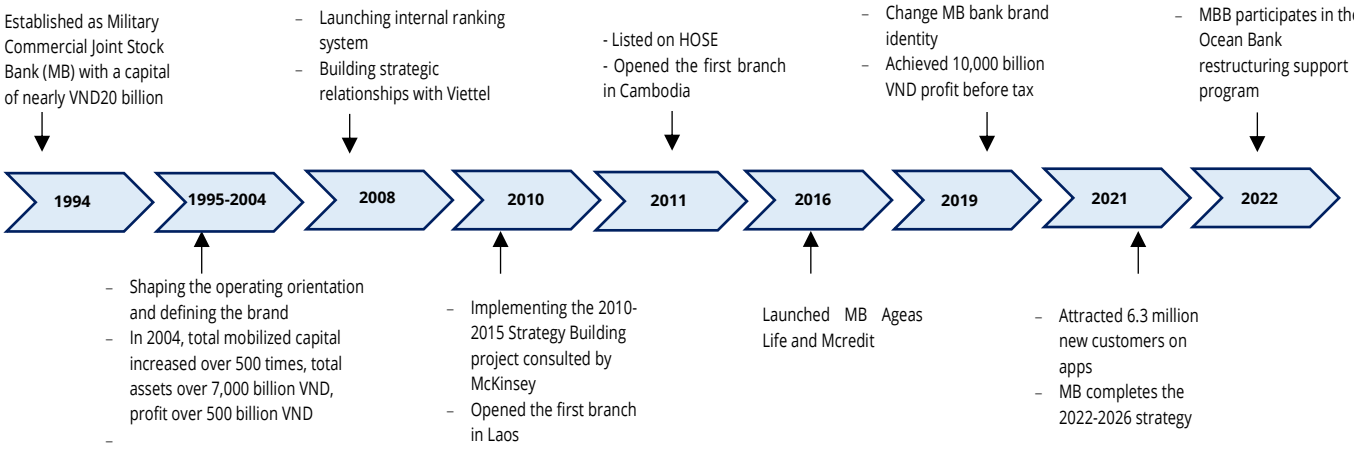
Terminal value of RI (VNDbn)	**128,844**
Terminal growth (%)	2.00%
PV of terminal value (VNDbn)	78,781
PV of RI (VNDbn)	35,572
Beginning equity (bn VND)	97,780
Total value (bn VND)	**212,133**
Total outstanding shares (bn)	5.2
Target price (VND)	**40,685**

Valuation Summary		
Method	Tỷ trọng	Giá mục tiêu (VND)
Residual income	40%	**40,685**
P/B target (1.0x)	60%	**22,965**
Target price (VND)	**30,053**	

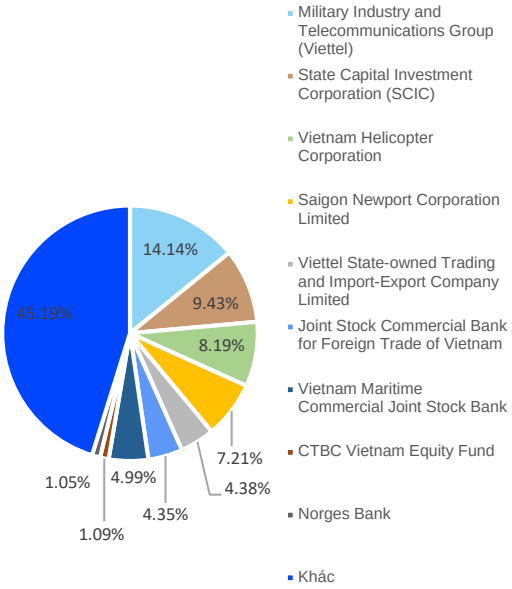
Source: Shinhan Securities Vietnam

Business overview

Business history

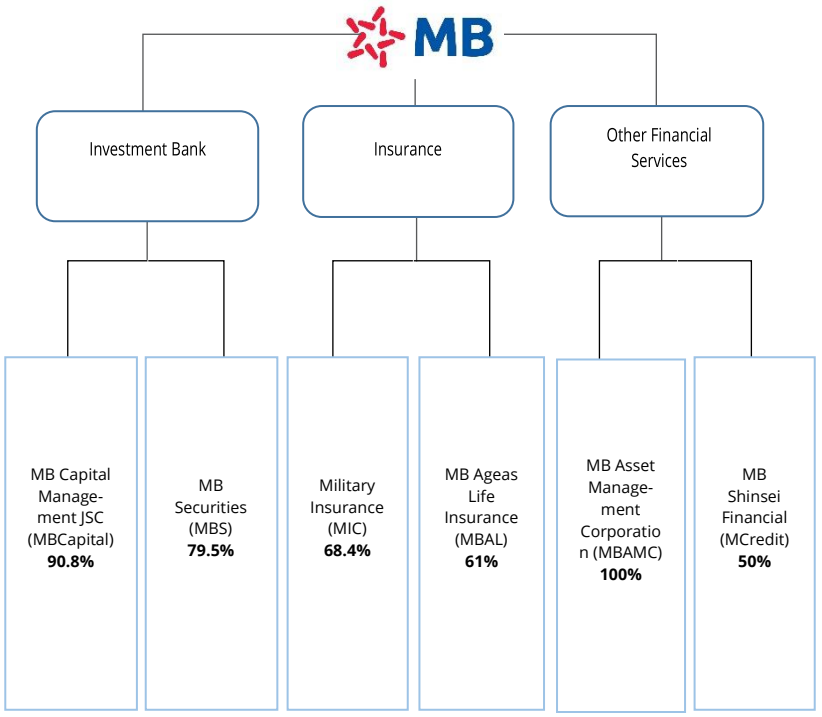


Shareholder ownership 30/09/2023



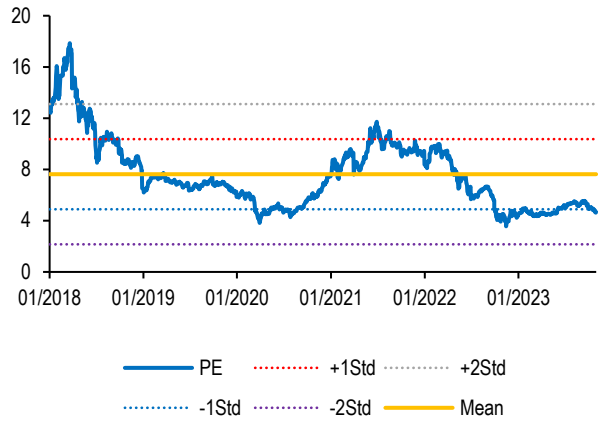
MBB subsidiaries

MBB owns many subsidiaries operating in the financial and non-financial sectors, including:



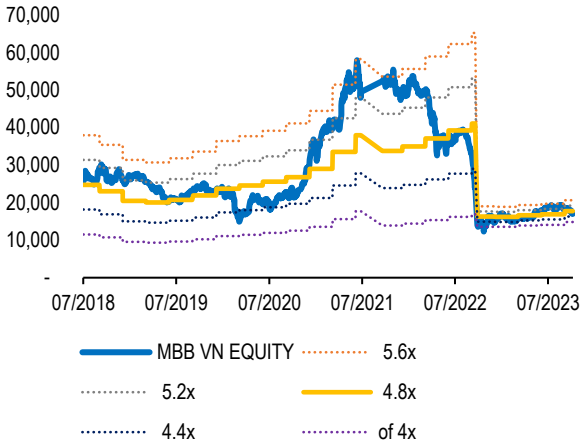
Source: Company data, Shinhan Securities Company

PER of MBB



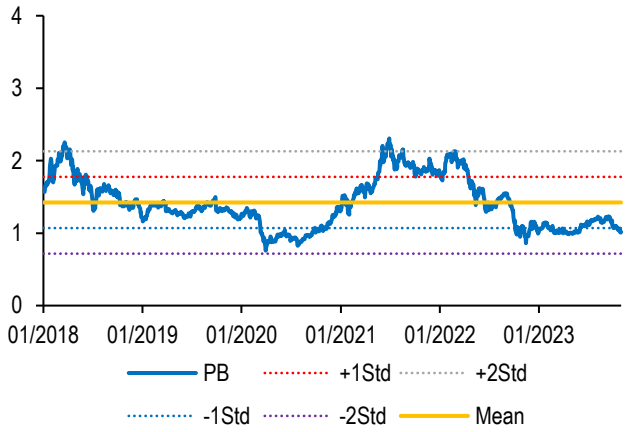
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of MBB



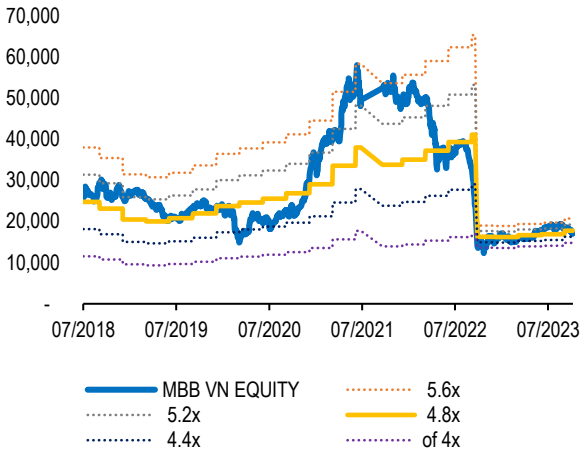
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of MBB



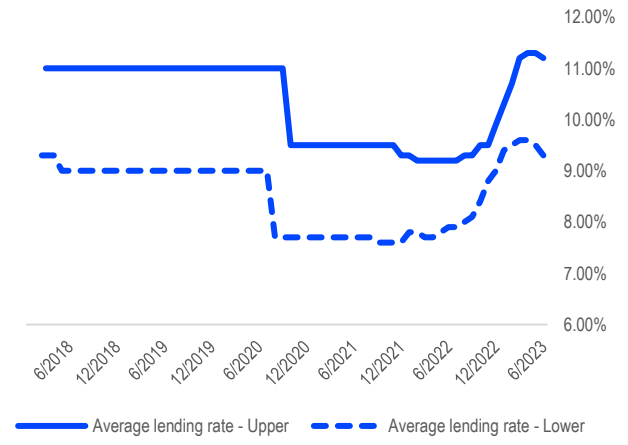
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of MBB



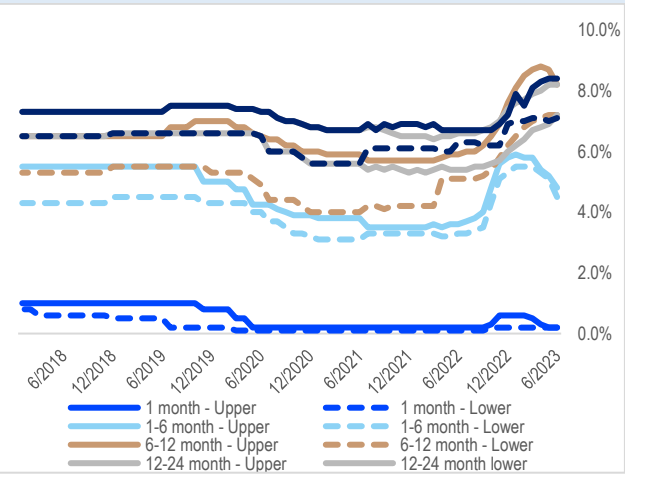
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



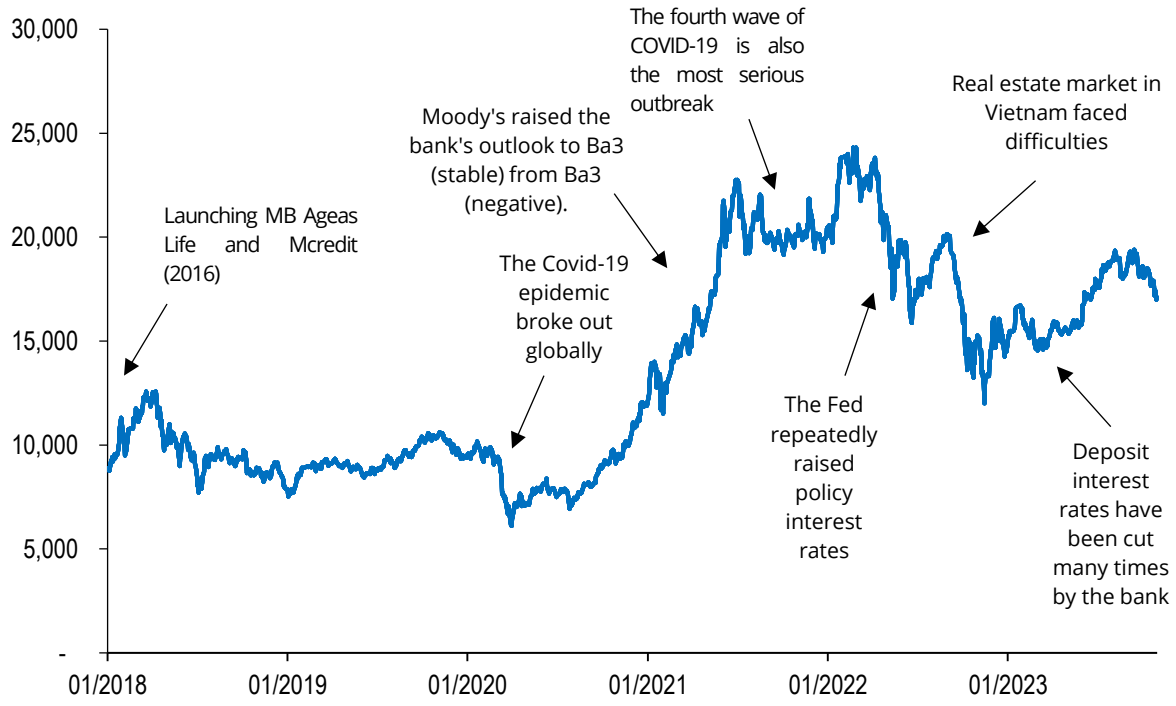
Source: SBV, Company Data, Shinhan Securities Vietnam

Average deposit interest rate in Vietnam



Source: SBV, Company Data, Shinhan Securities Vietnam

MBB important events



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Appendix: Financial statements

Balance sheet

Year (bn VND)	2020	2021	2022	2023F	2024F
Total assets	**494,982**	**607,140**	**728,532**	**835,278**	**961,933**
Cash and precious metals	3,109	3,475	3,744	7,808	5,656
Balances with the SBV	17,297	38,051	39,655	28,990	14,306
Placements with and loans to other credit institutions	47,889	35,983	32,937	37,041	41,232
Trading securities	3,085	7,575	4,106	5,338	6,940
Derivatives and other financial assets	37	274	70	70	70
Loans and advances to customers	293,943	354,797	448,599	528,765	625,551
Debts purchase	-	2	1,007	1,007	1,007
Investment securities	99,714	128,806	159,580	184,477	221,716
Long-term investments	885	803	625	664	704
Fixed assets	4,311	4,678	5,074	5,598	6,165
Investment properties	248	269	236	236	236
Other assets	24,465	32,426	32,901	35,285	38,350
Total liabilities	**444,883**	**544,654**	**648,919**	**737,498**	**842,190**
Due to Gov and Loans from SBV	15	262	32	38	46
Deposits and Loans from other credit institutions	50,876	59,560	65,117	84,652	98,574
Deposits from customers	310,960	384,692	443,606	510,146	576,466
Derivatives and other financial liabilities	-	-	-	-	-
Funds received from Gov, international and other institutions	207	1,999	2,003	2,003	2,003
Convertible bonds/CDs and other	50,924	66,887	96,578	120,723	138,831
Other liabilities	31,900	31,254	41,584	19,936	26,272
Shareholder's equity	**50,099**	**62,486**	**79,613**	**97,780**	**119,743**
Capital	28,726	39,318	47,597	48,318	49,040
Reserves	6,225	7,341	9,289	10,440	12,744
Retained earnings	12,956	12,915	19,064	34,603	52,663
Minority interest	2,193	2,911	3,664	4,419	5,296
Total liabilities and equity	**494,982**	**607,140**	**728,532**	**835,278**	**961,933**

Income statement

Year (bn)	2020	2021	2022	2023F	2024F
Interest and Similar Income	32,767	38,465	52,486	65,950	74,826
Interest and Similar Expenses	(12,490)	(12,265)	(16,463)	(24,986)	(27,289)
Net Interest Income	**20,278**	**26,200**	**36,023**	**40,964**	**47,537**
Net Fee and Commission Income	3,576	4,367	4,136	3,308	4,914
From foreign currency and gold	786	1,331	1,704	1,363	1,772
From trading of trading securities	85	221	141	102	123
From disposal of investment securities	866	1,446	1,315	395	395
Net Fee and Commission Income	1,680	3,254	2,142	2,133	3,447
Dividends income	93	115	132	132	132
Total non-interest income	**7,084**	**10,735**	**9,570**	**7,433**	**10,782**
Total operating income	**27,362**	**36,934**	**45,593**	**48,397**	**58,319**
General and Admin expenses	(10,555)	(12,377)	(14,816)	(16,024)	(18,068)
Operating Profit Before Provision (PPOP)	16,807	24,557	30,777	32,373	40,251
Provision for credit losses	(6,118)	(8,030)	(8,048)	(6,910)	(10,657)
Profit before tax	**10,688**	**16,527**	**22,729**	**25,463**	**29,593**
Corporate income tax	(2,082)	(3,306)	(4,574)	(5,093)	(5,919)
Net profit after tax	**8,606**	**13,221**	**18,155**	**20,371**	**23,675**
Attributable to parent company	8,263	12,697	17,483	19,616	22,798

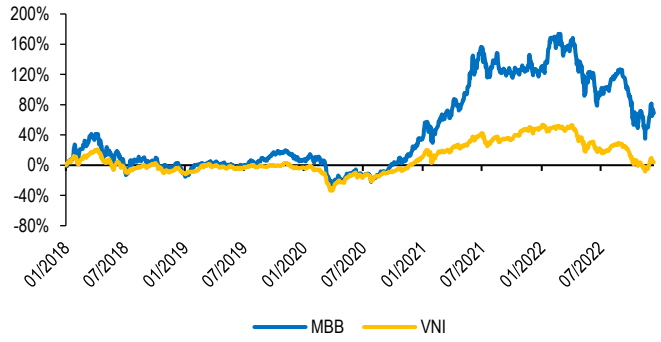
Financial indicators

Year	2020	2021	2022	2023F	2024F
Growth (% YoY)					
Loans to customers	22.95	24.63	25.01	18.00	18.00
Deposits from customers	14.03	23.71	15.31	15.00	13.00
Shareholders' equity	25.61	24.72	27.41	22.82	22.46
Total assets	20.29	22.66	19.99	14.65	15.16
Net interest income	12.65	29.20	37.50	13.72	16.04
Net non-interest income	6.52	51.53	-10.86	-22.33	45.06
PPOP	12.59	46.12	25.33	5.19	24.33
Net profit before tax	6.50	54.63	37.53	12.03	16.22
Net profit after tax	6.66	53.63	37.32	12.20	16.22
Profitability (%)					
NIM	4.73	5.04	5.67	5.48	5.51
ROA	1.82	2.30	2.62	2.51	2.54
ROE	4.73	5.04	5.67	5.48	5.51
Liquidity (%)					
Pure LDR	95.9	94.5	103.8	106.5	111.2
Asset quality					
Leverage (x)	9.88	9.72	9.15	8.54	8.03
NPL ratio (%)	1.09	0.90	1.09	1.80	1.60
LLR ratio (%)	134.1	268.0	238.0	150.4	153.5
Reverse/total credit (%)	1.46	2.41	2.60	2.71	2.46
Credit costs/total loans (%)	2.05	2.21	1.75	1.27	1.66
Credit costs/total credit (%)	1.88	1.98	1.59	1.15	1.51
Per share items (VND)					
EPS	3,075	3,499	4,004	4,493	5,222
BPS	17,117	15,768	16,751	20,591	25,242
PPOP/Share	6,005	6,500	6,788	7,140	8,878

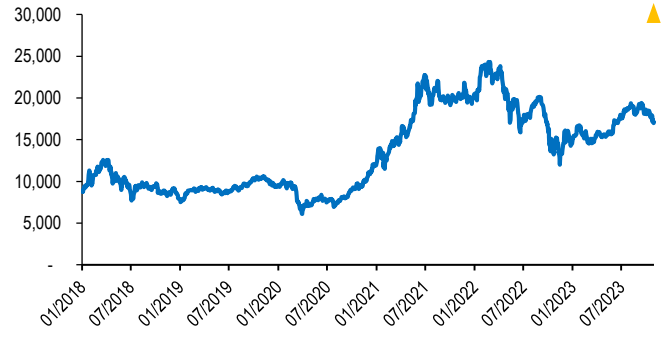
Source: Company data, Shinhan Securities Vietnam

Vietnam Technological and Commercial Joint Stock Bank (MBB VN)

Price performance



Target price (VND)



Date	Recommendation	Target price (VND)	Range of price (%)	
			Average	Max/Min
30/11/2022 (Initial)	MUA	25,700	64.8	30/123
01/11/2023 (Update)	MUA	30,050	92.7	52/161

Note: Calculation of target price gap based on the past 12 months

Shinhan Securities Vietnam

Stock	Industry
◆ **BUY:** Upside potential in 12 months more than 15% ◆ **HOLD:** Upside potential in 12 months from -15% to 15% ◆ **SELL:** Upside potential in 12 months more than -15%	◆ **POSITIVE:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **NEGATIVE:** Based on market cap, largest share of sector stocks under coverage is rated SELL

Compliance & Disclosure Notice

Analyst Certification

- The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Phuong Nguyen

Important Disclosures & Disclaimers

- As of the date of publication, Shinhan Securities Vietnam Co., Ltd. does not beneficially own 1% or more of any class of common securities of the following companies mentioned in this report: MBB VN
- Shinhan Securities Vietnam Co., Ltd. or one of its affiliates, and/or their respective officers, directors, or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or securities of the companies mentioned in this report.
- Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Securities Vietnam Co., Ltd. including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments and may differ from actual results.
- This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation, or warranty, expressed or implied, is made as to its accuracy, completeness, or correctness. Shinhan Securities Vietnam Co., Ltd. makes the best effort but does not guarantee the accuracy, completeness, or correctness of information and opinions translated into English from original Vietnamese language materials. Shinhan Securities Vietnam Co., Ltd. accepts no liability whatsoever for any direct, indirect, and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- Investing in any Vietnamese securities or related financial instruments discussed in this research report may present certain risks. The securities of Vietnamese issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Vietnamese securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Vietnamese won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Securities Vietnam Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any US recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Securities Vietnam Co., Ltd. or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan Securities Vietnam Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.



Shinhan Investment Network

SEOUL

Shinhan Securities Co., Ltd
Shinhan Investment Tower
23-2, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK

Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong

Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia

PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai

Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh

Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi

Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000