Feb 11st, 2025

Shinhan Securities



Military Commercial Joint Stock Bank

[Vietnam / Banking]

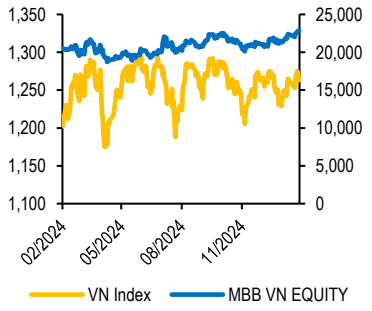
Bloomberg Code (MBB VN) | Reuters Code (MBB.HM)

BUY

Update report

Target price (2025)	**VND 30,700**
Current price (02/10/25)	VND 22,900
Upside/downside	34.1%

VNINDEX			1,263
P/E thị trường (25F, x)			10.3
Market Cap (bn VND)			139,742
Outstanding shares (mn)			6,102
Free-Floating (mn)			4,209
Free floating (%)			69.0
52-Wk High/Low (VND)			23,250/18,870
90-day avg. trading volume (mn)			10.73
90-day avg. turnover (bn VND)			195
Foreign ownership (%)			23.2
Major shareholders (%)		Viettel	14.7
		SCIC	9.8
Performance	3T	6T	12T
Absolute (%)	7.3	12.3	12.1
Relative to VN-Index (%)	6.4	9.1	6.7



Source: Bloomberg

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Heading towards new goals

Updated with BUY recommendation, target price VND 30,700

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". In 2025, MBB management expect to focus more on retail segment of loan portfolio and continue to improve the quality of CASA . With the residual income (RI) method and comparison method based on the P/B and P/E ratio, we update the target price for MBB in 2024 at 30,700 VND.

Business result in 2024

MBB recorded consolidated **credit growth of nearly 25% YoY** in 2024, with a strong increase of over 11% in Q4 2024 alone. Lending growth in 2024 continued to be driven by the corporate segment (+32.8% YoY), while the retail segment showed a more positive recovery than the previous year (+20% YoY).**Customer deposits also showed an increase in line** with the credit growth, reaching nearly 26% YoY.

The **net interest margin (NIM) narrowed from 4.9% at the end of Q4 2023 to around 4.2% in Q3/2024 and remained stable at this level in the last two quarters of 2024**. Interest income in 2024 reached VND 41,152 billion (+6.4% YoY).

MBB's non-interest income in 2024 increased sharply by +65.4% YoY. The strongest growth in MBB's non-interest income structure last year came from investment securities, trading securities, and foreign exchange trading. Recoveries from resolved bad debts also showed positive growth, especially in Q4 2024. Meanwhile, fee income did not progress as we expected, and the bancassurance segment continued to weaken in 2024.

The NPL ratio remained stable at 1.6% (equivalent to the NPL ratio at the end of 2023). The Loan loss coverage ratio (LLR) reached over 92%.

MBB's pre-tax profit for the full year reached VND 28,829 billion (+9.6% YoY), exceeding the 6-8% growth target approved by the General Meeting of Shareholders.

Outlook for 2025

We expect MBB's credit growth in 2024 to be around 24-25%. We forecast that MBB's cost of funds may increase slightly by about 30-40 bps. However, thanks to better disbursement into the retail portfolio (allocating more than 50% of customer loans for 2025), MBB may slightly improve NIM to 4.36% in 2025. The NPL ratio is controlled below 2% (stable around 1.5%). The CIR ratio in 2025 remains stable around 30%. **MBB's consolidated pre-tax profit in 2025 is expected to reach VND 32,337 billion (+12% YoY).**

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

Year	2021	2022	2023	2024	2025F
Interest income (VNDbn)	26,200	36,023	40,964	41,152	53,255
Non-interest income (VNDbn)	10,735	9,570	7,433	14,261	13,289
Total operating income (VNDbn)	**36,934**	**45,593**	**48,397**	**55,413**	**66,545**
Provision and other expenses (VNDbn)	(20,407)	(22,863)	(21,000)	(26,584)	(34,207)
Profit before tax (VNDbn)	**16,527**	**22,729**	**26,306**	**28,829**	**32,337**
Credit growth (%)	24.6%	25.0%	28.0%	24.7%	24.3%
NIM (%)	5.0%	5.7%	4.8%	4.2%	4.4%
ROE (%)	**23.5%**	**25.6%**	**23.9%**	**21.5%**	**20.1%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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Summary of investor meeting with MBB Q1/2025

Business targets and expectations from management for 2025:

- MBB projects credit growth of 26%, targeting to exceed VND 1 quadrillion in outstanding loans. The agency agreement between MBB with F88 and Viettel to expand its network, helping to reach rural areas and provinces more effectively.
- Customer deposits are expected to reach over VND 1 quadrillion, growing by about 25%.
- Management aims for a CIR below 28%.
- Cautious PBT (Profit before tax) growth target of 8-10%, reaching from VND 31.6 to 32 trillion. Management has been relatively cautious with business targets in the last 2 years.
- MBB shared that it will continue to maintain the dividend policy as in the 2023-2024 period.
- The MBB's NPL ratio at 1.7%, NPL coverage ratio above 100%. Restructured debt under Circular 02/2023/TT-NHNN accounts for a small proportion and has been provisioned by MBB as required, so management believes that the impact from the expiration of this circular will not have a significant impact on the bank's asset quality.
- Regarding outstanding loans related to Novaland, legal issues of Aqua City and NovaWorld Phan Thiet projects are expected to be resolved in the first 6 months of 2025.
- Regarding outstanding loans related to Trung Nam in the renewable energy sector, it is expected to be resolved by the government and relevant ministries by the end of the first quarter of 2025.

Business strategy:

- MBB is oriented to promote retail lending. In 2025, management expects to allocate at least 50% of outstanding loans to the retail segment (households, individuals, and SMEs).
- Continue to promote digital transformation
- The goal is to improve CASA deposit quality to increase the cost of funds advantage.

Subsidiaries:

- M Credit: Expected to recover more positively in 2025.
- MBB expects subsidiary revenue to improve in the group's structure (from 5% currently to 20-25% in the future).

Received transfer of weak bank

- MB has officially taken over Ocean Bank (and renamed it MBV) and made it a new member of the MB Group. This is a mandatory transfer from the State Bank of Vietnam.
- MBV will not be consolidated into MBB's business results. MBB will provide experienced personnel to MBV to improve operation

Outlook for 2025

Year	2024 Actual	% yoy	2025F	%yoy	Note
Net Interest Income (VNDbn)	41,152	*6.38%*	53,255	*29.41%*	We assume credit growth of around 24-25%, a more retail-oriented lending structure and a move towards expanding medium- and long-term lending in 2025.
Non-interest Income (VNDbn)	14,261	*65.40%*	13,289	*-6.81%*	2024 would see good growth from investment securities and trading securities. We believe that income from these two segments will not have much room to increase in 2025. The recovery of the real estate market will continue to boost income from write-off debt.
Total Operating Income (VNDbn)	55,413	*17.14%*	66,545	*20.19%*	
Operating expenses (VNDbn)	17,007	*14.04%*	20,409	20.0%	With strong and widespread adoption of digital transformation, we expect operating expenses to grow steadily, similar to the past growth level.
Provision expenses (VNDbn)	9,577	*57.3%*	*13,799*	*44.09%*	Credit cost at 1.3-1.4%
Profit Before Tax (VNDbn)	**28,829**	***9.59%***	**32,337**	***12.17%***	
Non-performing ratio- NPL (%)	1.62%		1.5%		However, if corporate debt in the real estate and renewable energy sectors deteriorates, MBB's NPL could rise higher than our forecast.
Loan Loss Coverage Ratio – LLR (%)	92.25%		107%		We assume the LLR is around 107%.
Total Credit Growth – Ytd (%)	24.7%		24.3%		
Customer Deposit Growth – Ytd (%)	25.8%		22.0%		
Net Interest Margin – NIM (TTM %)	4.24%		4.36%		The lending interest rates of the entire banking system directed by the State Bank to decrease have affected the NIM of not only MBB but also the whole banking industry in 2024. However, the interest rate trend is likely to have bottomed out and may increase slightly by about 50bps in 2025

Valuations and recommendations

Valuation

We use the residual income (RI) method, the P/B method and the P/E method. The target price for the stock in 2025 is VND30,700/share.

1) In the short term, we conservatively use a P/B ratio of 1.2x and a P/E ratio of 6.0x, approximate MBB's 5-year average. With forecasted BVPS and EPS in 2025 at VND26,422 and VND4,875, MBB's target price in 2025 is expected to be around VND31,707 and VND29,252.

2) For the residual income method, the estimated stock price in 2025 is VND31,743.

Cost of Equity (%)	
Cost of Equity (%)	**14.4**
Risk-free rate (%)	3.1
Equity risk premium (%)	8.35
Beta	1.3

RI Method

(Unit: VNDbn)	**2024**	**2025F**	**2026F**	**2027F**	**2028F**
Cost of equity	**14.4**	**14.4**	**14.4**	**14.4**	**14.4**
Cost of equity after 2028					**14.4**
Net income	22,951	25,870	30,612	38,402	43,885
Residual income (RI)		7,490	8,610	11,962	12,154
PV of RI		**6,553**	**6,592**	**8,013**	**7,124**

Terminal value of RI (VNDbn)	**111,252**
Terminal growth (%)	2.00%

PV of terminal value (VNDbn)	65,206
PV of RI (VNDbn)	28,282
Beginning equity (bn VND)	117,060
Discount (%)	20%
Total value (bn VND)	**168,438**
Total outstanding shares (bn)	5.31
Target price (VND)	**31,743**

Valuation Summary

Method	**Weights**	**Price target (VND)**
Thu nhập thặng dư (RI)	20%	**31,743**
P/B target (1.2x)	40%	**31,707**
P/E target (6.0x)	40%	**29,252**
Target price (VND)	**30,733**	

Source: Shinhan Securities Vietnam

Business overview

Business history

1994
Established as Military Commercial Joint Stock Bank (MB) with a capital of nearly VND20 billion

1995-2004
- Shaping the operating orientation and defining the brand
- In 2004, total mobilized capital increased over 500 times, total assets over 7,000 billion VND, profit over 500 billion VND
-

2008
- Launching internal ranking system
- Building strategic relationships with Viettel

2010
- Implementing the 2010-2015 Strategy Building project consulted by McKinsey
- Opened the first branch in Laos

2011
- Listed on HOSE
- Opened the first branch in Cambodia

2016
Launched MB Ageas Life and Mcredit

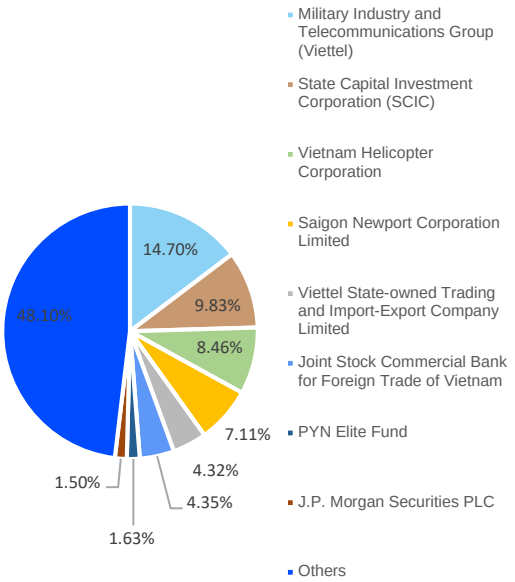
2019
- Change MB bank brand identity
- Achieved 10,000 billion VND profit before tax

2021
- Attracted 6.3 million new customers on apps
- MB completes the 2022-2026 strategy

2022-2023
- MBB participates in the Ocean Bank restructuring support program

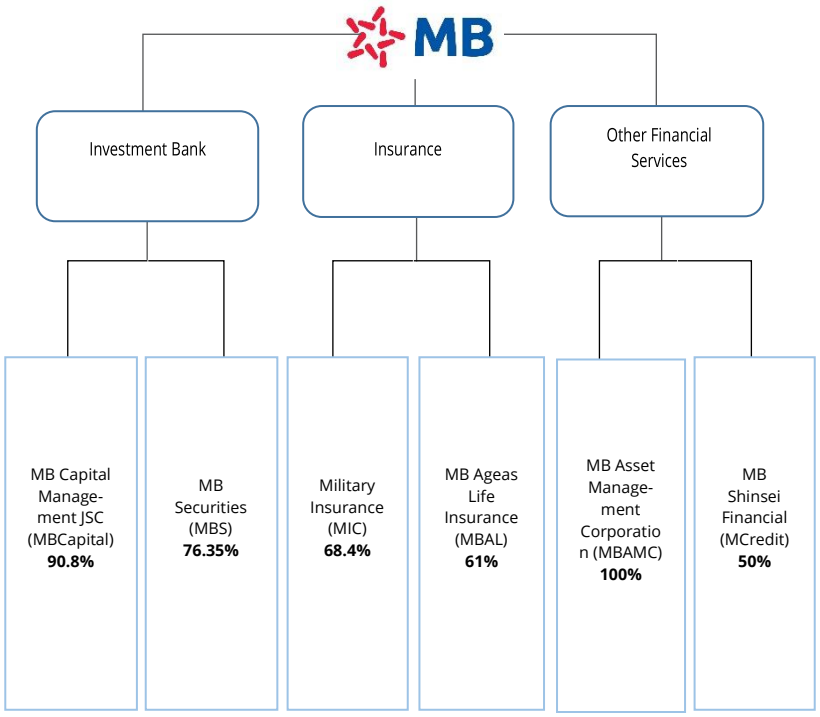
2024
MBB officially received the transfer of OceanBank and changed the name of OceanBank to MBV

Shareholder ownership 12/31/2024



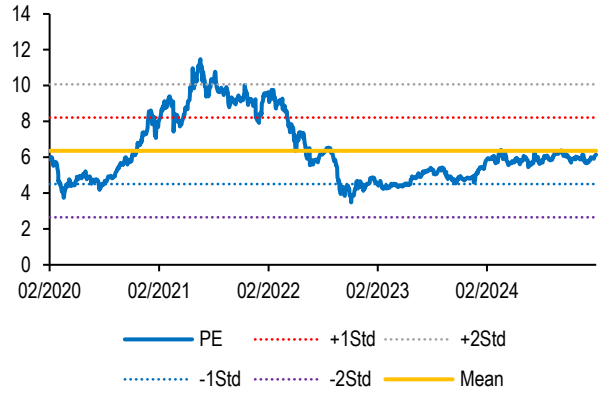
MBB subsidiaries

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



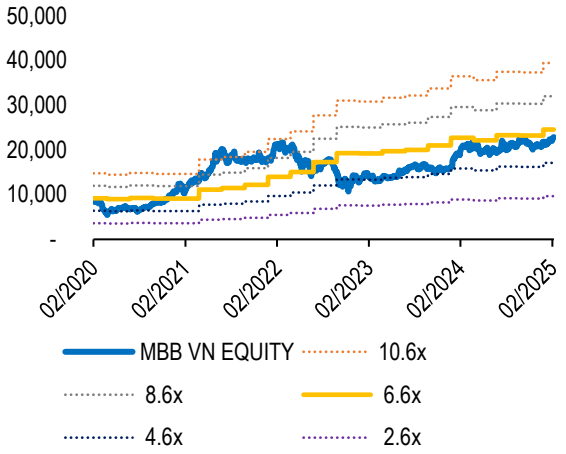
Source: Company data, Shinhan Securities Company

PER of MBB



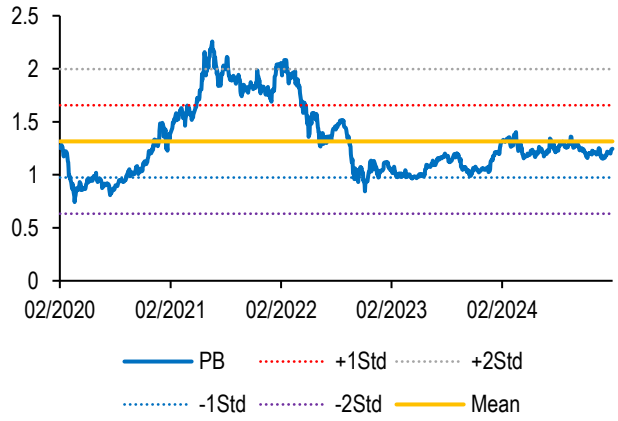
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of MBB



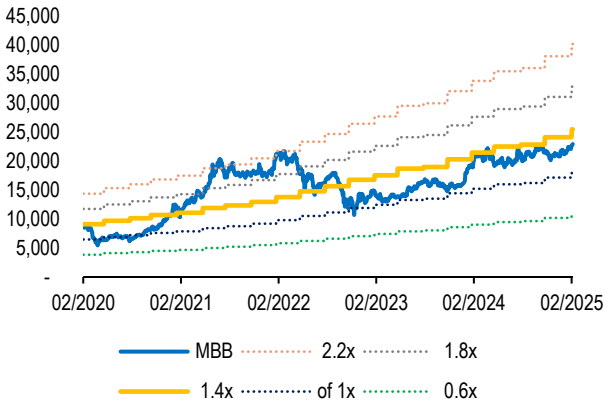
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of MBB



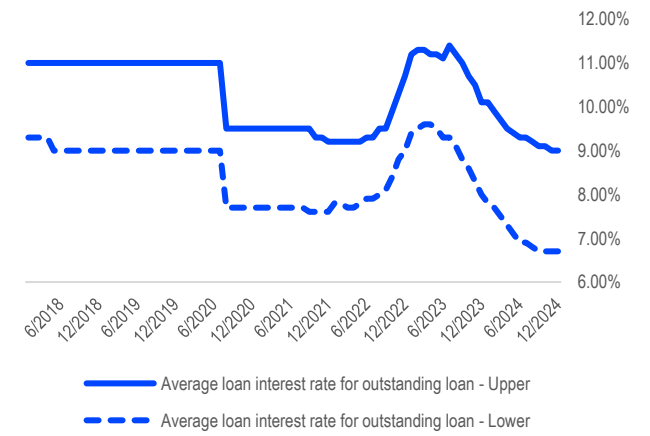
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of MBB



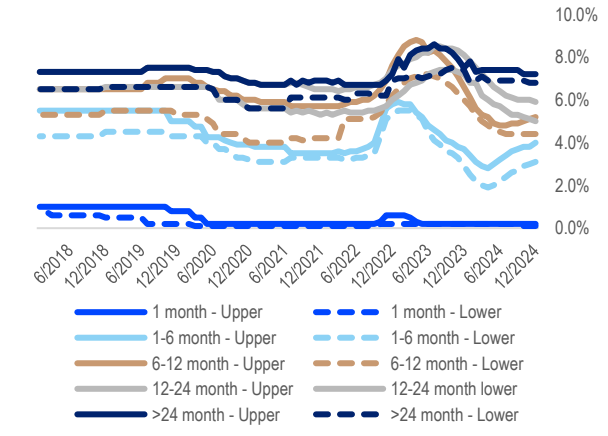
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



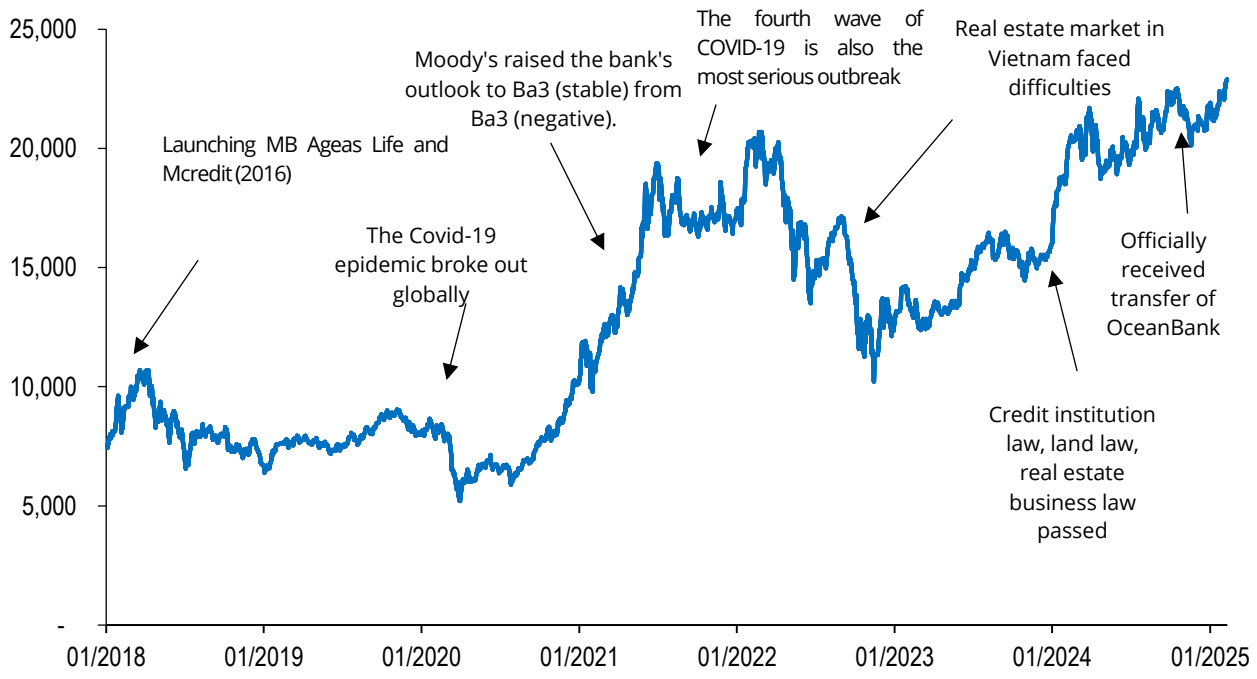
Source: SBV, Company Data, Shinhan Securities Vietnam

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)	2021	2022	2023	2024	2025F
Total assets	**607,140**	**728,532**	**944,954**	**1,128,801**	**1,380,200**
Cash and precious metals	3,475	3,744	3,675	3,349	8,713
Balances with the SBV	38,051	39,655	66,322	29,825	34,851
Placements with and loans to other credit institutions	35,983	32,937	46,344	76,786	132,723
Trading securities	7,575	4,106	44,251	7,932	9,518
Derivatives and other financial assets	274	70	141	-	-
Loans and advances to customers	354,797	448,599	599,579	765,048	957,252
Debts purchase	2	1,007	1,790	952	952
Investment securities	128,806	159,580	147,923	209,637	194,864
Long-term investments	803	625	616	609	609
Fixed assets	4,678	5,074	4,854	5,430	5,687
Investment properties	269	236	240	234	234
Other assets	32,426	32,901	29,218	28,998	34,798
Total liabilities	**544,654**	**648,919**	**848,242**	**1,011,741**	**1,239,995**
Due to Gov and Loans from SBV	262	32	9	8,156	8,156
Deposits and Loans from other credit institutions	59,560	65,117	99,810	110,170	136,494
Deposits from customers	384,692	443,606	567,533	714,154	871,268
Derivatives, Funds received from Gov, international and other institutions	1,999	2,003	2,800	2,985	3,731
Convertible bonds/CDs and other	66,887	96,578	126,463	128,964	161,205
Other liabilities	31,254	41,584	51,628	47,312	59,140
Shareholder's equity	**62,486**	**79,613**	**96,711**	**117,060**	**140,205**
Capital	39,318	47,597	54,938	56,296	64,405
Reserves	7,341	9,289	12,194	14,997	19,001
Retained earnings	12,915	19,064	25,560	40,718	51,530
Minority interest	2,911	3,664	3,973	4,911	5,269
Total liabilities and equity	**607,140**	**728,532**	**944,954**	**1,128,801**	**1,380,200**

Income statement

Year (bn)	2021	2022	2023	2024	2025F
Interest and Similar Income	38,465	52,486	69,143	69,062	90,867
Interest and Similar Expenses	(12,265)	(16,463)	(30,459)	(27,910)	(37,612)
Net Interest Income	**26,200**	**36,023**	**38,684**	**41,152**	**53,255**
Net Fee and Commission Income	4,367	4,136	4,085	4,368	6,116
From foreign currency and gold	1,331	1,704	1,210	2,000	2,621
From trading of trading securities	221	141	542	1,756	113
From disposal of investment securities	1,446	1,315	300	2,803	809
Net Fee and Commission Income	3,254	2,142	2,428	3,281	3,598
Dividends income	115	132	57	53	32
Total non-interest income	**10,735**	**9,570**	**8,622**	**14,261**	**13,289**
Total operating income	**36,934**	**45,593**	**47,306**	**55,413**	**66,545**
General and Admin expenses	(12,377)	(14,816)	(14,913)	(17,007)	(20,409)
Operating Profit Before Provision (PPOP)	24,557	30,777	32,393	38,406	46,136
Provision for credit losses	(8,030)	(8,048)	(6,087)	(9,577)	(13,799)
Profit before tax	**16,527**	**22,729**	**26,306**	**28,829**	**32,337**
Corporate income tax	(3,306)	(4,574)	(5,252)	(5,878)	(6,467)
Net profit after tax	**13,221**	**18,155**	**21,054**	**22,951**	**25,870**
Attributable to parent company	12,697	17,483	20,772	22,634	25,512

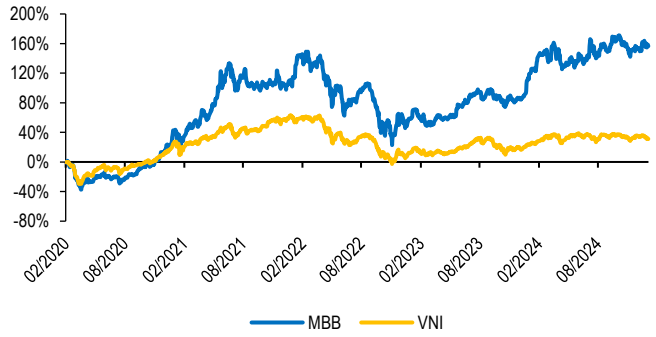
Financial indicators

Year	2021	2022	2023	2024	2025F
Growth (% YoY)					
Loans to customers	21.88	26.69	32.67	27.10	25.00
Deposits from customers	23.71	15.31	27.94	25.83	22.00
Shareholders' equity	24.72	27.41	21.48	21.04	19.77
Total assets	22.66	19.99	29.71	19.46	22.27
Net interest income	29.20	37.50	7.39	6.38	29.41
Net non-interest income	51.53	(10.86)	(9.90)	65.40	(6.81)
PPOP	46.12	25.33	5.25	18.56	20.13
Net profit before tax	54.63	37.53	15.74	9.59	12.17
Net profit after tax	53.63	37.32	15.97	9.01	12.72
Profitability (%)					
NIM	5.07	5.60	4.83	4.24	4.36
ROA	2.4	2.7	2.5	2.2	2.1
ROE	23.5	25.6	23.9	21.5	20.1
Liquidity (%)					
Pure LDR	94.51	103.83	107.67	108.75	111.43
Asset quality					
Leverage (x)	9.72	9.15	9.77	9.64	9.84
NPL ratio (%)	0.90	1.09	1.60	1.62	1.50
LLR ratio (%)	267.98	238.03	116.98	92.25	107.02
Reverse/total credit (%)	2.16	2.36	1.77	1.43	1.35
Credit costs/total loans (%)	2.43	1.95	1.14	1.38	1.58
Credit costs/total credit (%)	1.98	1.59	0.94	1.31	1.37
Per share items (VND)					
EPS	3,499	4,004	4,038	4,325	4,875
BPS	16,538	17,559	18,548	22,060	26,422
PPOP/Share	6,500	6,788	6,213	7,238	8,695

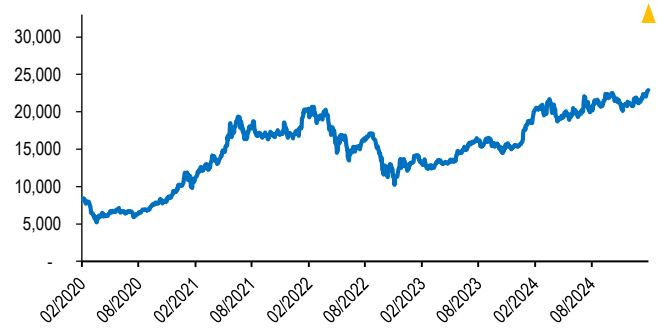
Source: Company data, Shinhan Securities Vietnam

Military 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)	BUY	25,700	64.8	30/123
01/11/2023 (Update)	BUY	30,050	92.7	52/161
04/22/2024 (Update)	BUY	29,000	19.8	12.8/27.8
02/11/2025 (Update)	BUY	30,700	46.2	32.5/63.2

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

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