# **Company update report**

## **MBB – Military Commercial Joint Stock Bank**

05/09/2019

Recommendation	BUY	١
Vuong Chi Tam (FA)		١
tamvc@bsc.com.vn		2
Target price	28,458	C
Closing price	22,750	١
Upside	25%	t
Le Quoc Trung (TA)		
trunglg@bsc.com.vn		r
Target price	25,000	F
Cut loss	20,000	
		1
Market data		١
Outstanding share ('000 000)	2,113	t
Mkt Cap (bil VND)	47,762	3
High of 52w	23,400	
Avg Vol 10 days (share)	6,127,180	(
Foreign ownership	0%	
		(
Major shareholders (%)		١
Viettel Group	15%	
SCIC	10%	ļ
Vietnam helicopters corp.	8%	(
Saigon Newport corp.	7%	F
Others	60%	r

#### Price movement for 1 year



**Company overview:** MBB plans to sell strategic capital to its Foreign partner in 2019.

EXPECTATION FROM SELLING STRATEGIC CAPITAL

#### VALUATION

We recommend BUY for MBB with a target price of VND 28,458/share, upside 25% based on P/BF = 1.5x valuation method due to (1) High profitability and well-controlled asset quality, (2) Valuation is cheap (P/BF = 1.2x), (3) The strategic capital sale to the foreign partner is expected in 2019 to help MBB stock be revalued.

#### **BUSINESS RESULTS FORECAST**

We revised MBB's TOI and PBT forecasts in 2019 to -1.4%/+3.5% with a change in our view of credit growth (from 14% to 17% for the parent bank, 37% for M Credit), the CASA rate decreased to 34.3% while CIR is kept at 45%.

#### CATALYST

(1) Selling strategic capital to foreign partner, (2) Cheap valuation.

#### INVESTMENT RISKS

(1) M Credit is more risky, but it does not account for a large proportion in the lending structure, (2) Decreasing CASA rate <u>raises capital cost</u>.

#### INVESTMENT OUTLOOK (Refer to page 2 for details)

**Profitability is kept high compared to the whole industry.** (1) Net interest income was VND 4,395 billion (+ 25.4% yoy), (2) Noninterest income grew strongly from fee income (+ 59% yoy).

Asset quality is good, however, the credit expansion of M Credit may affect MBB's overall results. Consolidated bank NPL = 1.18%, of which parent bank = 1.08%, M Credit = 11%. Bad debt coverage ratio (LLCR) = 97.6%, higher than the industry average, helps ensure the operation of the bank. CAR Basel II = 10.5%.

**Cheap valuation and expectation from strategic capital sales.** P/B F 2019 = 1.2x, attractive with a growing position and asset quality. The strategic sale of capital to foreign shareholders may help revaluate MBB in short term.

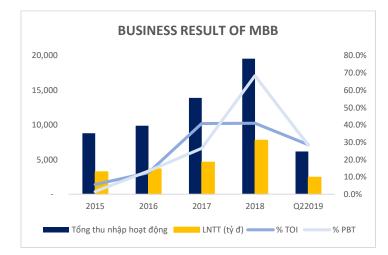
BSC Research

BSC

#### **COMPANY UPDATE**

# **1**. Profitability is always maintained at a high level compared to the whole industry with many growth possibilities.

TOI = VND 6,158 billion (+28.5% yoy), PBT = VND 2,451 billion (+28.3% yoy). Total assets +11% ytd, loans +11.3% ytd, deposits + 7.9% ytd. In the period from 2015 - 2Q2019, MBB's TOI and PBT increased by CAGR = 24.8% and 25.7%, respectively, lower than PBT of banks with the same asset quality as ACB, TCB, VCB, ... (PBT of these banks increased at an average of 45%). However, we assess that MBB still has a lot of unexplored growth potential, ensuring an average growth rate of 20% - 25% yoy in the coming time.



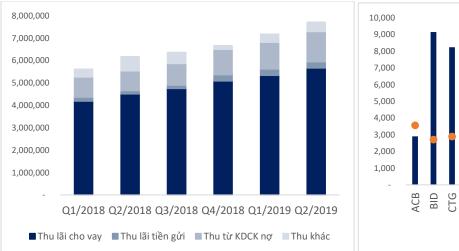
Source: Fiinpro, BSC Research

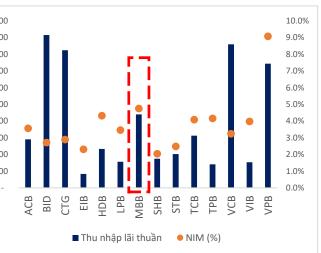
#### Net interest income + 25.4% yoy thanks to the restructuring of loans.

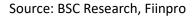
Net interest income reached VND 4,395 billion (+ 25.4% yoy) thanks to:

- Credit growth in 1H2019 reached 13.9% ytd, of which the parent bank grew by 13.2% ytd, M Credit grew by 33.4% ytd. In 2H2019, MBB asked SBV for approval to increase credit growth to 17% with the parent bank, and is now applying for more credit with M Credit.
- NIM improved to 4.74% (+11 bps compared to 2Q2018, +5 bps compared to 1Q2019) due to an increase in lending interest rates and restructuring of lending structure to retail. The average loan interest rate of MBB increased to 9.4% (+11 bps compared to 1Q2019) while deposit rates increased to 3.7% (+20 bps compared to the end of 2018) because the large deposits at MBB restructured demand deposits, leading to a fall in CASA rates, thereby increasing the average deposit rate.

Regarding the prospect of 2H2019, BSC expects that MBB will record net interest income of VND 17,468 billion (+ 20% yoy) thanks to (1) credit growth of the consolidated bank reached 17.7%, (2) NIM was improved to 4.64% because of restructuring of loans and increasing lending rates.

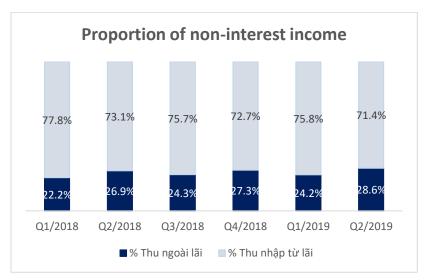






# Non-interest income +37% yoy, expected to grow from 30% -50% in 2019 owning to insurance and service fee collection.

In 2Q2019, service fee +59% yoy, interest from forex trading + 65% yoy. By the end of 1H2019, MB Ageas Life has collected VND 1,000 billion in insurance premiums (+ 210% yoy), profit of VND 93 billion and plenty of room for growth. In addition, service charges also have good growth potential due to large customer base and wide coverage.



Source: MBB, BSC Research

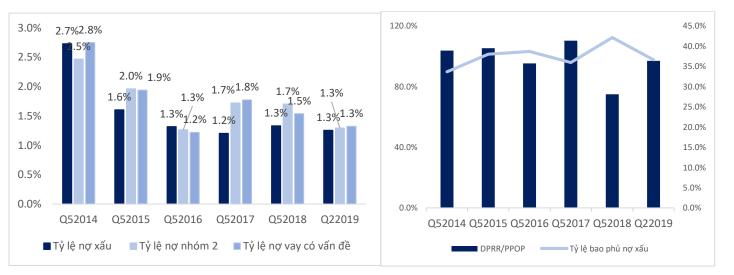
# **2.** Asset quality is at a good level, however, the credit expansion of M Credit may affect MBB's overall results.

#### Asset quality is well controlled.

Consolidated bank NPL = 1.18%, of which parent bank = 1.08%, M Credit = 11%. Regarding the parent bank, we highly appreciate good control of asset quality. Although NPL of M Credit is currently much higher than other businesses (FE Credit = 5.1%, HD Saison about 6%), we evaluate with a small credit scale (VND 9,800 billion of loans as of end of 1H2019) has not much impact on the overall results of MBB.

Bad debt coverage ratio (LLCR) = 97.6%, higher than the industry average, helps ensure the operation of the bank. The bank's LDR ratio is kept at 73% - 74%, lower than SBV's allowed level.

The ratio of short-term capital to medium and long-term loans is 34% and is expected to fall to below 30% by increasing short-term loans and reducing medium- and long-term loans.



CAR according to Basel II = 10.5%, slightly down from 11% at the end of 2018.

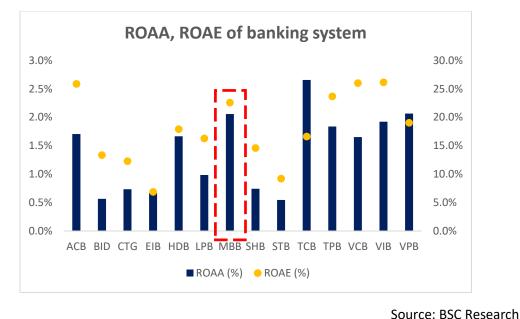
Source: MBB, BSC Research

# **3.** Valuations are cheap, but there are many issues that affect the revaluation of stock price.

With BSC's forecast, MBB will be traded at P/B = 1.2x, attractive compared to the valuation of comparable businesses (ACB, TCB, VCB, TPB, VIB). However, as a consequence of high free float in the market (51%), the re-evaluation of MBB shares in the market become uncertain.

Regarding the update on capital sale, MBB is expected to sell 7.5% -10% of its shares to foreign partner this year or early next year, of which 2.5% from treasury shares and the rest

to issue additional shares. This helped (1) MBB reduce free float of stocks outside the market, but not much, (2) increase the bank's CAR to 12% -13% when selling capital successfully. The strategic selling of capital to foreign partners is also expected to support both in business activities as well as the revaluation of MBB's stock price in the market.



### FORECAST AND VALUATION

		2018	2019	2020
	ΤΟΙ	19,539	22,741	26,476
	PBT	7,767	9,870	11,488
BUY	NIM	4.5%	4.5%	4.5%
TP 28,458 VND/cp Upside 25%	ROAA	1.8%	2.0%	1.9%
	ROAE	19.4%	19.7%	18.6%
	EPS	2,736	3,168	3,414
	BVPS	15,817	18,980	20,830
	P/E (x)	8.3	7.1	6.6
	P/B (x)	1.4	1.2	1.1

Source: BSC Research

#### Appendix 1: Prospects of the banking industry in 2H2019

		GDP growth is high, at 6.7% in 2019 and 6.5% in 2020, supported by investment and consumption.
		US-China trade war could reduce world economic growth and the main import-export partners of these two countries,
		including Vietnam.
		The major agreements (EVFTA, CPTPP) will support trade relation with major European countries, thereby reducing
Business	Charles I.	Vietnam's dependence on big countries.
enviroment Stable		CPI in 8M2019 increased by 2.26% yoy and kept below 4% in 2019.
		Credit growth + 7.36% ytd in 1H2019, deposit + 5.5% ytd in 5M2019, M2 + 6.4% ytd in 5M2019. BSC's expected credit
		growth in 2019 is 12% -13%, lower than the SBV's target = 14%.
		Interbank interest rates and government bonds continued to remain low.
		Stable exchange rates.
		2Q2019 NPL ratio was 1.9% < 2% as set, LLCR was 75.9%. Expected bad debt level in 2019 is lower than 2%.
		Banks accelerate the handling of bad debts + VAMC.
		Many banks have high provisioning, ensuring hedging in case of economic fluctuations (VCB, ACB,).
Asset	Incorrected	The rapid growth in lending in recent years can affect asset quality in the long term.
quality	Improved	Banks reduce the proportion of loans to the risk industry (real esate, construction,), enhance long-term capital
		mobilization.
		Capital adequacy ratio has been improved year by year and many banks have successfully applied Basel II standards ahead
		of schedule.
		NII was improved thanks to loan restructuring.
Profitability Improved		Non-interest income is increasingly playing a large part in the bank's income structure with a 2-digit growth rate.
		Banks focused on reducing costs, reducing the industry-wide CIR.
		Provisions decreased due to improved asset quality, thereby helping to increase profit.
Valuation	Low	Low valuation with higher profitability than VN Index.

Source: BSC Research

#### Appendix 2: Business result of MBB in 2Q2019

МВВ	Q22019	Q22018	Change	Comment
Net interest income	4,395	3,504	25.4%	NII +25.4% yoy due to (1) Credit growth reached 13.9%, (2)
Non-interest income	1,763	1,287	37.0%	NIM = 4.74%.
In which: Income from service charges	1,055	663	59.2%	Non-interest income + 37% yoy thanks to service fee + 59%
Total operating income	6,158	4,791	28.5%	yoy, interest from forex trading + 65% yoy.
Operating costs	(2,307)	(1,927)	19.7%	Credit growth was near the SBV's permitted level (17%).
Profit before provision	3,851	2,864	34.5%	
Redundancy costs	(1,400)	(953)	46.9%	
EBT	2,451	1,911	28.3%	
Credit growth (%)	9.6%	13.9%	4.3%	
NPL	1.25%	1.18%	+7 bps	
LLCR	97.6%	106.6%	-9 %	
LDR	92.2%	87.2%	+5%	NPL were stable, provisioning ratios decreased over the
NIM	4.7%	4.5%	+11 bps	same period, but remained high. CIR is slightly down and
CIR	37.7%	39.3%	-1.6%	expect to continue to improve. Profitability ratio is high compared to the whole industry.
ROAA	2.0%	1.7%	+0.3%	compared to the whole moustly.
ROAE	22.5%	18.5%	+4%	

Source: MBB, BSC Research

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### COMPANY UPDATE REPORT

Military Commercial Joint Stock Bank (HSX: MBB)

#### Appendix 3: Business operation of listed banks

L-Scale    U </th <th>Q22019</th> <th>ACB</th> <th>BID</th> <th>СТБ</th> <th>HDB</th> <th>LPB</th> <th>MBB</th> <th>STB</th> <th>тсв</th> <th>ТРВ</th> <th>VCB</th> <th>VIB</th> <th>VPB</th>	Q22019	ACB	BID	СТБ	HDB	LPB	MBB	STB	тсв	ТРВ	VCB	VIB	VPB
Instruct    12,886    34,187    37,244    9,810    8,881    21,657    28,852    24,946    8,666    17,282    77,337    11,621    38,208      Equity (Wh Dn)    32,384    57,589    7,249    18,604    11,877    35,56    25,499    56,366    11,282    77,337    11,621    38,208      Equity (Wh Dn)    32,384    43,78    6,13%    8,8%    5,8%    15,6%    7,7%    6,9%    7,1%    11,621    38,208      CAROWTH    -    -    -    -    -    -    -    -    -    -    -    -    -    11,6%    -    -    -    -    -    -    -    -    -    -    11,6%    -    11,6%    8,4%    11,6%    14,4%    11,3%    9,4%    15,3%    10,4%    15,3%    14,4%    13,3%    34,5%    9,8%    5,5%    3,5%    9,3%    9,5%    3,7%    4,4%    1,5%    1,5%    1,5%    1,5%													
Equity (MND br)23,83457,58972,49718,6041,18,7735,52625,49956,3661,22277,37711,62138,208Total asset (MD BNS Equity/total Asset65,30414,51710,01661,18,7735,526402,24443,17030,066314,57.161,122,970163,866348,722Equity/total Asset65,30461,308,36853,8855,8015,50810,7081,7181,167Asset6,6667,7%2,7%1,19%8,4%11,3%8,8%15,9%15,3%10,1%19,1%11,6%% Asset7,7%7,1%2,5%1,6%4,1%7,9%1,1.%9,4%6,2%8,6%16,8%15,5%% Torl7,9%7,1%1,2,1%1,3,4%1,4%7,9%1,1.%9,3%35,5%9,8%9,5%3,0%44,5%2,5%% Port1,35%9,2%1,3,5%1,4%1,5%1,3%1,3%1,5%1,3%3,41,5%5,3%1,6%1,2%2,5%% Port0,2%2,5%0,8%1,4%1,5%1,3%0,4%1,5%1,3%1,0%1,2%2,5%3,4%NP0,2%2,5%0,8%1,4%1,5%1,3%1,0%1,5%1,3%1,0%1,5%1,3%1,0%1,5%1,3%1,0%1,5%1,3%1,0%1,5%1,3%1,0%1,5%1,3%1,0%1,2%1,6%1,3%1,5%1,3%1,0%<		12.886	34,187	37.234	9.810	8.881	21.605	18.852	34.966	8.566	37.089	7.835	25.300
Total sect (MD bn)    30.938    1.400.18    1.183.796    210.291    189.959    402.264    439.170    360.663    145.716    1.122.970    163.886    38.8732      Equity/total asset    6.88    4.1%    6.18    8.88    6.38    5.88    7.78    6.99    7.78    6.99    7.78    6.98    7.78    7.89    7.89 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>													
Equity/total asset    6.8%    4.1%    6.1%    8.8%    6.3%    8.8%    5.8%    15.6%    7.7%    6.9%    7.1%    11.0%      Asset    6.6%    6.6%    1.7%    -2.7%    8.5%    11.0%    8.2%    12.4%    7.0%    4.6%    17.7%    7.9%      & Loan    8.8%    7.7%    2.4%    11.9%    8.4%    11.3%    8.9%    15.3%    10.1%    19.1%    11.1%      & Deposit    7.9%    7.3%    2.2%    10.9%    12.4%    7.0%    4.6%    15.5%    13.3%    10.1%    19.1%    13.5%    9.2%    43.5%    9.8%    9.5%    37.0%    34.1%    52.1%    28.5%      & PRT    13.3%    10.4%    15.5%    13.3%    10.4%    15.5%    13.3%    10.4%    15.5%    13.3%    10.5%    12.4%    6.5%    77.1%    34.5%    9.9%    36.5%    10.5%    2.5%    10.6%    1.2%    3.4%      Dubtrlui debt ratio    0.2%													
LenowTH    Second Sec													
S Asset  6.6%  1.7%  -7.7%  8.5%  11.0%  8.2%  12.4%  10.7%  7.9%  7.9%    % Loan  8.8%  7.7%  2.4%  11.9%  8.5%  11.1%  9.59%  15.3%  10.1%  19.1%  11.1%    % Deposit  7.9%  7.1%  2.5%  1.6%  1.6%  4.5%  2.5%  2.7%  3.2%  2.1%  9.5%  1.7.3%  3.2%  2.2.1%  3.4%  2.5%  2.7%  3.5%  2.7%  3.5%  3.7%  3.1%  3.2%  3.7%  3.1%  3.2%  3.7%  3.7%  3.6%  3.7%  3.7%  3.6%  3.7%  3.7%  3.7%  3.7%  3.7%  3.7%  3.8%  9.8%  9.8%  9.5%  3.7%  4.3%  3.3%  0.4%  1.5%  3.7%  0.4%  1.5%  3.7%  1.6%  1.5%  1.3%	• •	0.070	7.1/0	0.170	0.070	0.570	0.070	5.670	10.070	1.170	0.570	1.1/0	11.070
k laan    8.8%    7.7%    2.4%    11.9%    8.4%    11.3%    7.9%    15.3%    10.1%    10.1%      % Deposit    7.9%    7.1%    2.5%    1.6%    4.1%    7.9%    12.1%    9.4%    6.2%    8.6%    16.3%    15.5%      % Toll    2.2%    11.9%    8.1%    14.5%    7.0%    2.3%    2.3%    2.1%    3.1%    2.2.1%    3.4.5%    2.5%    3.2%    2.3%    1.8%    3.5%    3.5%    3.0%    3.4.5%    2.5%    3.0%    4.5%    1.3%    4.9%    4.8.3%    5.5%    3.4%    4.9%    4.8.3%    1.5%    3.0%    4.8.3%    1.5%    1.3%    2.0%    1.5%    1.0%    1.5%    1.0%    1.5%    1.0%    1.5%    1.0%    1.5%    1.0%    1.5%    1.0%    1.5%    1.0%    1.5%    1.5%    1.0%    1.5%    1.5%    1.0%    1.5%    1.5%    1.0%    1.0%    1.5%    1.5%    1.5%    1.5%    1.5%		6 6%	6 6%	1 7%	-2 7%	8 5%	11.0%	8.2%	12 4%	7 0%	4 6%	17.7%	7 9%
N Deposit  7.9%  7.1%  2.5%  1.6%  4.1%  7.9%  1.11%  9.4%  6.2%  8.6%  1.6%  2.5%  2.3%  1.3%  1.2%  2.2%  2.3%  2.3%  2.3%  2.3%  2.3%  2.3%  2.3%  3.2%  2.3%  3.2%													
% TO1  23.2%  11.9%  18.1%  14.5%  70.4%  28.5%  23.7%  17.3%  31.2%  22.1%  34.5%  29.5%    % FBT  15.3%  9.4%  2.5%  9.2%  48.3%  9.8%  9.5%  37.0%  34.1%  52.1%  20.8%    J SSE QUALITY  7  84.3%  28.3%  1.5%  1.5%  2.5%  0.6%  1.2%  5.1%    J VP 2 Debt ratio  0.7%  2.5%  0.8%  1.4%  1.5%  1.3%  1.5%  1.5%  2.5%  0.6%  2.5%  0.6%  5.1%    Doubtful debt ratio  0.2%  2.5%  10.0%  1.4%  1.5%  1.3%  1.0%  1.9%  2.8%  0.2%  2.4%  6.8%    Provision/Total debts  160  1.4% <td></td>													
× Farming before provision    2.8%    19.7%    32.6%    11.9%    163.3%    24.5%    9.8%    9.5%    37.0%    34.1%    52.1%    28.0%      % PBT    15.3%    -2.5%    -2.5%    9.2%    445.3%    28.3%    15.9%    49.5%    49.3%    52.1%    5.1%    5.0%      SASSET QUALITY    0.2%    2.5%    0.8%    1.4%    1.3%    1.0%    1.5%    1.1%    1.3%    1.0%    1.5%    0.6%    2.4%    6.8%      Polubitul debt ratio    -0.2%    3.0%    0.8%    1.8%    1.6%    1.3%    1.0%    1.2%    0.2%    0.2%    2.4%    6.8%      Provision/Total debts type    160.2%    7.2.%    100.1%    7.7.%    97.6%    68.5%    7.7.1%    83.0%    15.0%    1.2%    48.5%      Vinterbank deposit    3.5%    3.8%    8.2%    1.2%    8.5%    4.17%    0.2%    1.6%    1.1%    1.1%    1.3%    1.6%    1.1%    1.1%    1.1%    1.1%													
% PBT  15.3%  -9.4%  -2.5%  9.2%  445.3%  28.3%  -18.8%  15.9%  49.9%  48.3%  59.8%  45.7%    J. SEST QUALITY													
J.SSET QUALITY    V   <													
Type 2 Debt ratio    0.2%    2.5%    0.8%    1.4%    1.3%    0.4%    1.5%    2.5%    0.6%    1.2%    5.1%      NPL    0.7%    2.0%    1.5%    1.4%    1.5%    1.3%    2.0%    1.5%    1.0%    2.2%    3.4%      Doubtful debt ratio    0.2%    3.0%    0.8%    1.8%    1.0%    1.2%    2.8%    0.02    2.4%    6.8%      Provision/Total debts    1.1%    1.4%    1.5%    1.1%    1.1%    1.4%    1.4%    1.8%    1.0%    2.8%    0.0%    2.8%    0.2%    2.6%    3.7%    41.7%    0.2%    16.8%    1.9.6%    1.5%    3.1%    41.7%    0.2%    16.8%    1.9.6%    1.1%    1.3%    1.6%    1.4%    1.3%    1.6%    1.2%    1.5%    1.5%    5.5%    0.2%    1.6%    1.1%    1.3%    1.6%    1.2%    1.6%    1.2%    1.2%    1.3%    1.6%    1.2%    1.5%    5.5%    0.2%    1.6%				2.0/0	0.2.0	1.0.0/-	20.07	20.075	-0.07			00.070	
NPL    0.7%    2.0%    1.5%    1.4%    1.5%    1.3%    2.0%    1.8%    1.5%    1.0%    2.2%    3.4%      Doubtful debt ratio    -0.2%    3.0%    0.8%    1.6%    1.3%    1.0%    1.9%    2.8%    0.2%    2.4%    6.8%      Provision/Total debts    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    1.1%    3.0%    44.0%    1.8%    1.1%		0.2%	2.5%	0.8%	1.4%	1.3%	1.3%	0.4%	1.5%	2.5%	0.6%	1.2%	5.1%
Doubtful debt ratio    -0.2%    3.0%    0.8%    1.8%    1.6%    1.3%    1.0%    1.9%    2.8%    -0.2%    2.4%    6.8%      Provision/Total debts    1.0%    1.4%    1.5%    1.1%    1.1%    1.4%    1.4%    1.3%    1.8%    1.0%    1.7%      Provision/Total debts twp    100.2%    72.5%    63.8%    37.8%    41.3%    48.1%    57.3%    41.6%    31.2%    15.0%    28.3%    19.6%      % Interbank deposit    3.5%    3.8%    8.2%    11.2%    8.5%    14.7%    0.2%    16.8%    19.6%    5.1%    15.0%    6.2%      Interest, receivable/lending    1.0%    1.2%    0.8%    2.6%    3.2%    1.6%    7.6%    2.5%    1.6%    1.5%    1.6%    1.5%    1.6%    1.5%    1.6%    1.5%    2.5%    1.6%    1.5%    2.5%    1.6%    1.5%    2.5%    1.4%    1.4%    1.4%    1.4%    1.4%    1.4%    1.4%    1.5%    1.6%													
Provision/Total debts    1.1%    1.4%    1.1%    1.2%    1.4%    1.4%    1.3%    1.3%    1.0%    1.7%      LLCR    160.2%    72.5%    100.1%    74.7%    77.9%    97.6%    68.5%    77.1%    83.9%    177.5%    44.0%    48.5%      Provision/Total debts type    17.4%    32.2%    63.8%    37.8%    41.3%    48.1%    57.3%    41.6%    31.2%    115.0%    28.3%    19.6%      % Interbank deposit    3.5%    3.8%    8.2%    11.2%    8.5%    14.7%    0.2%    16.8%    19.6%    5.1%    1.5.0%    6.2%      Interest, receivable/lending    1.0%    1.2%    0.8%    32.6%    1.33    17.2    6.4    12.9    14.1    9.1      LCR    81.3    9.0    82.1%    80.6%    80.5%    70.4%    70.5%    76.1%    81.5%    93.6%      LCR    83.94    1.195    10.037    2.708    1.66    61.58    3.301    4.688    1.9													
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$													
Provision/Total debts type 2-5117.4%32.2%63.8%37.8%41.3%48.1%57.3%41.6%31.2%11.50%28.3%19.6%% Interest, interest, receivable/lending1.0%3.8%8.2%11.2%8.5%14.7%0.2%16.8%19.6%5.1%15.0%6.2%Interest, receivable/lending1.0%1.2%0.8%2.6%3.2%1.6%7.6%2.5%1.6%1.1%1.131.0Leverage14.724.316.311.316.011.370.4%6.412.914.514.19.1LDR81.1%94.0%90.0%82.1%80.6%80.5%70.4%70.5%76.1%81.5%85.5%93.6%LDR81.1%94.0%90.0%82.1%80.6%80.5%70.4%7.6%81.5%85.5%93.6%PDP2.0267.7756.4181.4156613.8511.063.1171.1227.2661.1745.265PBT1.9152.2512.1821.1096052.4514003.0457675.4251.0102.566PBT1.9152.2512.1821.1096052.4514003.04576.9%8.8.9%1.6.4%CASA17.4%15.0%15.2%1.02%13.3%33.0%15.6%3.0.4%18.0%3.6%12.1%CASA17.4%15.0%15.2%10.2%13.3%35.6%8.1%7.4%													
2-5  117.4%  32.2%  63.8%  37.8%  41.3%  48.1%  57.3%  41.6%  31.2%  115.0%  28.3%  19.6%    % Interbank deposit  3.5%  3.8%  8.2%  11.2%  8.5%  14.7%  0.2%  16.8%  19.6%  5.1%  15.0%  6.2%    Interest, receivable/lending  1.0%  1.2%  0.8%  2.6%  3.2%  1.6%  7.6%  2.5%  1.6%  1.1%  1.3%  1.8%    Leverage  14.7  24.3  16.3  11.3  16.0  11.3  17.2  6.4  12.9  14.5  14.1  9.1    LDR  81.1%  9.40%  90%  82.1%  80.6%  80.5%  70.4%  70.5%  76.1%  81.5%  85.5%  93.6%    A BUSINESS EFFICIENCY  0.005  2.708  1.626  6.158  3.301  4.688  1.917  11.303  1.948  8.869    PPOP  2.026  7.775  6.418  1.415  661  3.851  1.016  3.117  1.122  7.236  1.174  5.826													
Interest, receivable/lending1.0%1.2%0.8%2.6%3.2%1.6%7.6%2.5%1.6%1.1%1.3%1.8%Leverage14.724.316.311.316.011.317.26.412.914.514.19.1LDR81.1%94.0%90.0%82.1%80.6%80.5%70.4%70.5%76.1%81.5%85.5%93.6%A.BUSINESS EFFICIENCY900.0%82.1%80.6%80.5%70.4%70.5%76.1%81.5%85.5%93.6%POP2.0267.7756.4181,4156613.8511,0163,1171,1227,2361,1745,826PBT1,9152,2512,1821,1096052,4514003,0457675,4251,0102,560Net interest incom/TOI73.5%762.%82.0%85.8%96.1%71.4%61.3%66.6%73.3%75.9%78.6%83.7%CASA17.4%15.0%15.2%10.2%13.3%35.6%8.1%7.4%9.0%6.3%8.9%15.4%Cost of fund5.1%5.2%4.6%5.2%6.0%3.9%5.7%3.8%4.8%3.3%5.0%6.4%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.4%3.6%4.2%3.1%3.9%9.1%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.3%4.1%3.6%4.1% <t< td=""><td></td><td>117.4%</td><td>32.2%</td><td>63.8%</td><td>37.8%</td><td>41.3%</td><td>48.1%</td><td>57.3%</td><td>41.6%</td><td>31.2%</td><td>115.0%</td><td>28.3%</td><td>19.6%</td></t<>		117.4%	32.2%	63.8%	37.8%	41.3%	48.1%	57.3%	41.6%	31.2%	115.0%	28.3%	19.6%
receivable/lending1.0%1.2%0.8%2.6%3.2%1.6%7.6%2.5%1.6%1.1%1.3%1.8%Leverage14.724.316.311.316.011.317.26.412.914.514.19.1LDR81.1%94.0%90.0%82.1%80.6%80.5%70.4%70.5%76.1%81.5%85.5%93.6%4. BUSINESS EFFICIENCY03.94911.99510,0372.7081,6266.1583,3014,6881.91711,3031.9488,869PPOP2,0267,7756,4181,4156613,8511,0163,1171,1227,2361,1745,826PBT1.9152,2512,1821,1096052,4514003,0457675,4251,0102,560Net interest incomt/TOI73.5%76.2%82.0%85.8%96.1%71.4%61.3%66.6%73.3%75.9%78.6%83.7%CASA17.4%15.0%15.2%10.2%13.3%33.0%15.6%30.4%18.0%30.6%12.1%10.4%Cost of fund5.1%5.2%4.6%5.2%6.0%3.9%5.7%3.8%4.8%3.3%5.0%6.4%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.5%4.1%4.2%3.2%4.0%9.1%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.5%4.1% <td< td=""><td></td><td>3.5%</td><td>3.8%</td><td>8.2%</td><td>11.2%</td><td>8.5%</td><td>14.7%</td><td>0.2%</td><td>16.8%</td><td>19.6%</td><td>5.1%</td><td>15.0%</td><td>6.2%</td></td<>		3.5%	3.8%	8.2%	11.2%	8.5%	14.7%	0.2%	16.8%	19.6%	5.1%	15.0%	6.2%
Leverage14.724.316.311.316.011.317.26.412.914.514.19.1LDR81.1%94.0%90.0%82.1%80.6%80.5%70.4%70.5%76.1%81.5%85.5%93.6% <b>A.BUSINESS EFFICIENCY</b> Operating profit3,94911,99510,0372,7081,6266,1583,3014,6881,91711,3031,9488,869PPOP2,0267,7756,4181,4156613,8511,0163,1171,1227,2361,1745,826PBT1,9152,2512,1821,109605 <b>2,451</b> 4003,0457675,4251,0102,560Net interest incomt/TOI73.5%76.2%82.0%85.8%96.1%71.4%61.3%66.6%73.3%75.9%78.6%83.7%CASA17.4%15.0%15.2%10.2%13.3% <b>33.0%</b> 15.6%30.4%18.0%30.6%12.1%10.4%Gross interest rate8.4%7.7%7.3%9.5%8.6%8.1%7.4%9.0%6.3%8.9%15.4%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.4%3.6%4.4%3.3%5.0%6.4%CR5.0%31.8%34.9%47.0%56.4% <b>37.7%</b> 63.4%35.0%4.1%3.9%15.4%3.9%Cost of fund5.1%5.5%71.0%66.0%21.6%8.5	-	1.0%	1.2%	0.8%	2.6%	3.2%	1.6%	7.6%	2.5%	1.6%	1.1%	1.3%	1.8%
LDR81.1%94.0%90.0%82.1%80.6%80.5%70.4%70.5%76.1%81.5%85.5%93.6%A. BUSINESS EFFICIENCYOperating profit3,94911,99510,0372,7081,6266,1583,3014,6881,91711,3031,9488,869PPOP2,0267,7756,4181,4156613,8511,0163,1171,1227,2361,1745,826PBT1,9152,2512,1821,1096052,4514003,0457675,4251,0102,560Net interest incomt/TOI73.5%76.2%82.0%85.8%96.1%71.4%61.3%66.6%73.3%75.9%78.6%83.7%CASA17.4%15.0%15.2%10.2%13.3%33.0%15.6%30.4%18.0%30.6%12.1%10.4%Gross interest rate8.4%7.7%7.3%9.5%9.5%8.6%8.1%7.4%9.0%6.3%8.9%15.4%Cost of fund5.1%5.2%4.6%5.2%6.0%3.9%5.7%3.8%4.8%3.3%5.0%6.4%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.5%4.1%4.2%3.2%4.0%9.1%NIM3.6%2.7%1.8%3.5%4.7%2.5%4.1%4.2%3.2%4.0%3.5%ROAA (%)1.7%0.6%0.7%1.7%1.0%2.1%6.5%<		14.7	24.3	16.3	11.3	16.0	11.3	17.2	6.4	12.9	14.5	14.1	9.1
A.BUSINESS EFFICIENCYOperating profit3,94911,99510,0372,7081,6266,1583,3014,6881,91711,3031,9488,869PPOP2,0267,7756,4181,4156613,8511,0163,1171,1227,2361,1745,826PBT1,9152,2512,1821,1096052,4514003,0457675,4251,0102,560Net interest incomt/TOI73.5%76.2%82.0%85.8%96.1%71.4%61.3%66.6%73.3%75.9%78.6%83.7%CASA17.4%15.0%15.2%10.2%13.3%33.0%15.6%30.4%18.0%30.6%12.1%10.4%Gross interest rate8.4%7.7%7.3%9.5%8.6%8.1%7.4%9.0%6.3%8.9%15.1%NIM5.1%5.2%4.6%5.2%6.0%3.9%5.7%3.8%4.8%3.3%5.0%6.4%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.5%4.1%4.2%3.2%4.0%9.1%Provisions/PPOP5.5%71.0%66.0%21.6%8.5%36.3%60.6%2.3%31.7%25.0%13.9%55.4%ROAE (%)1.7%0.6%1.7%1.6%37.7%63.4%35.0%44.3%36.6%41.6%35.8%ROAE (%)1.7%0.6%1.7%1.6%2.1%65.4%37.7%<	-												
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PPOP2,0267,7756,4181,415661 <b>3,851</b> 1,0163,1171,1227,2361,1745,826PBT1,9152,2512,1821,109605 <b>2,451</b> 4003,0457675,4251,0102,560Net interest incomt/TOI73.5%76.2%82.0%85.8%96.1% <b>71.4%</b> 61.3%66.6%73.3%75.9%78.6%83.7%CASA17.4%15.0%15.2%10.2%13.3% <b>33.0%</b> 15.6%30.4%18.0%30.6%12.1%10.4%Gross interest rate8.4%7.7%7.3%9.5%9.5%8.6%8.1%7.4%9.0%6.3%8.9%15.4%Cost of fund5.1%5.2%4.6%5.2%6.0%3.9%5.7%3.8%4.8%3.3%5.0%6.4%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.4%3.6%4.2%3.1%3.9%9.1%NIM3.6%2.7%2.9%4.3%3.5%4.7%2.5%4.1%4.2%3.2%4.0%9.1%Orisions/PPOP5.5%71.0%66.0%21.6%37.7%63.4%35.0%44.3%36.6%41.6%3.8%ROAA (%)1.7%0.6%0.7%1.7%1.0%2.1%0.5%2.7%1.8%1.7%1.9%2.1%ROAE (%)2.9%13.3%17.9%1.6%2.7%2.7%1.8%1.7%1.9%2.1% <tr< td=""><td></td><td>3.949</td><td>11.995</td><td>10.037</td><td>2.708</td><td>1.626</td><td>6.158</td><td>3.301</td><td>4.688</td><td>1.917</td><td>11.303</td><td>1.948</td><td>8.869</td></tr<>		3.949	11.995	10.037	2.708	1.626	6.158	3.301	4.688	1.917	11.303	1.948	8.869
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PER (x) 6.8 16.7 13.9 8.8 4.8 6.8 8.6 8.3 8.4 16.7 5.7 6.5	BVPS (dong/share)	18,496			18,964		16,444	13,526	16,120		20,852	14,833	
	PER (x)	6.8					6.8						
PBR (x) 1.5 2.2 1.1 1.5 0.6 <b>1.4</b> 0.7 1.3 1.6 3.8 1.4 1.2	PBR (x)	1.5	2.2	1.1	1.5	0.6	1.4	0.7	1.3	1.6	3.8	1.4	1.2

Source: BSC Research

#### **Appendix 4: Forecasted business result of MBB**

	2018	20105	20205
	2018	2019F	2020F
Net interest income	14,583	16,973	19,695
Net fee and commission income	2,564	3,173	3,899
Net gain from fx trading	445	598	782
Net gain from sales of investment	300	399	476
securities			
Net other income	1,517	1,509	1,535
Income from investment in other entities	130	89	89
Total operating income (TOI)	19,539	22,741	26,476
Operating expense (OPEX)	(8,734)	(10,234)	(11,914)
Profit before credit provisions	10,805	12,508	14,562
Credit provisions	(3,038)	(2 <i>,</i> 638)	(3 <i>,</i> 074)
Earnings before tax (PBT)	7,767	9,870	11,488
Total income tax expenses	(1,577)	(2,004)	(2 <i>,</i> 333)
Earnings after tax (EAT)	6,190	7,865	9,155
Minority interest	98	125	145
Net profit (NPATMI)	6,190	7,740	9,009
	5,150	,,,,,,	5,005
	2018	2019F	2020F
Total assets	362,361	427,106	497,126
Cash & Cash equivalent	1,737	2,037	2,392
Balances with the SBV	10,548	12,170	14,152
Deposits with OCI	45,062	52,861	62,074
Trading securities	578	578	578
Derivatives and other financial assets	36	37	37
Net loans and advances to customers	211,475	250,986	289,430
Investment securities	73,834	86,732	104,163
Long-term investments	497	497	497
Fixed assets	2,699	2,569	2,435
Other assets	15,865	18,645	21,374
Total liabilities and equity	362,361	427,106	497,126
Total liabilities	328,188	382,821	444,637
Amount due to the Government and the SBV	2,633	2,633	2,633
Deposits from OCI	60,471	71,166	81,583
Customer deposits	239,964	281,500	330,558
Derivatives and other financial liabilities	239,964 42	281,500 42	330,558 42
Other liabilities	11,158	11,158	11,158
Other liabilities	13,601	16,003	18,344
Total equity	34,173	44,285	52,490
Chartered capital	21,605	23,333	25,200
Share premium	-	-	-
Treasury shares	-	(2,376)	(2,376)
Funds and other capitals	28	28	28
Retained profits	7,124	16,684	21,624

	2018	2019F	2020F
I. SCALE	2010	20191	20201
Number of branches	300	315	330
Employees	15,233	16,956	19,740
II. ASSET QUALITY	10)200	_0,000	20)/ 10
1. Capital adequacy index			
CAR Basel II	11%	N/A	N/A
Equity/Total asset	9.4%	10.4%	10.6%
Leverage	10.6	9.6	9.5
2. Asset quality			
Type 2 Debt ratio	1.6%	1.7%	1.7%
NPL ratio	1.3%	1.3%	1.4%
NPL ratio (Inc. VAMC)	1.3%	1.3%	1.4%
Doubful debt ratio	1.5%	1.7%	1.8%
Bad debt coverage ratio	113.2%	105.0%	100.0%
Provision for bad debts/Total debts	49.3%	45.8%	43.6%
Type 2-5	40.070	43.070	43.070
3. Liquidity ratio			
LDR	77.6%	80.0%	80.0%
Liquid property/Total asset	36.4%	36.1%	36.9%
Liquid property/Customer's deposit	54.9%	54.8%	55.5%
Interbank mobilization/Total	19.4%	19.6%	19.3%
mobilization	19.470	19.0%	19.570
III. PROFITABILITY			
% credit	16.9%	17.7%	14.6%
Net interest income/TOI	74.6%	74.6%	74.4%
CASA	42.1%	34.3%	36.2%
Gross yield	7.7%	7.9%	7.8%
Cost of fund	3.3%	3.6%	3.6%
Net interest rate	4.4%	4.3%	4.2%
NIM	4.5%	4.5%	4.5%
PPOP	28.1%	21.1%	21.1%
CIR	44.7%	45.0%	45.0%
ROAA	1.8%	2.0%	1.9%
ROAE	19.4%	19.7%	18.6%
IV. VALUATION			
EPS (VND/cp)	2,736	3,168	3,414
BVPS (VND/cp)	15,817	18,980	20,830
V. GROWTH	,	,	,
% Asset	15.4%	17.9%	16.4%
% Loan	16.2%	18.7%	15.3%
% Deposit	9.0%	17.3%	17.4%
% PBT	37.3%	15.8%	16.4%
% NPATMI	68.3%	27.1%	16.4%
	00.070	_//0	-0

Source: BSC Research



#### **Technical analysis**

#### MBB\_ Adjustable reduction

#### **Technical highlights:**

- Current trend: Adjust for short-term decline.
- MACD trend indicator: Positive divergence.
- RSI indicator: Neutral zone, downtrend.

**Outlook:** MBB stock is declining after failing to surpass the resistance level of 24. The stock liquidity is tending to decrease, less than the 20-day average, showing no motivation for recovery. The RSI and the MACD are both supporting the short-term trend. It is expected that in the upcoming sessions, MBB can move to accumulate in the area of 21.5 - 22.5, before retesting at 24.

#### Technical chart:



Source: Amibroker, BSC

# BSC

## Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

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