

The rising star in the banking sector but with many risks

BUY [+53%]

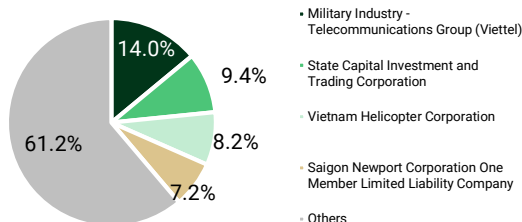
Updated: 04/05/2023

Fair price 27,800 VND
Current price 18,200 VND

STOCK INFORMATION

Outstanding shares (mil) 4,553.9
Free float (mil) 2,493.7
Market cap. (billion VND) 82,065
3m avg. volume (shares) 10,199,744
Foreign ownership (%) 23.24%
First listing date 01/11/2011

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Business result in 2022: In 2022, Net Interest Income of MBB grew by 37.5%YoY to VND 36,023 billion. Net Profit in 2022 rose strongly by 37%YoY to VND 18,155 billion thanks to the improvement of its lending activities. NIM improved by 66 bps compared to the end of 2021 to 5.82%, top 25% banks with highest NIM in 2022 thanks to its advantage in Cost of Funds. At the end of 2022, total credit of MBB grew by 25%YTD, top 2 banks with the highest growth rate. Asset quality deteriorated compared to the end of 2021. NPL ratio of MBB in 2022 was 1.09%, an increase of 10 bps compared to the end of 2021, and lower than the industry average of 1.67%.

Investment highlights:

Top 2 banks with the highest Return on Capital (ROE) in the industry.

ROE continuously improved in the period from 2016-2022 from 11.7% in 2016 to 25.6% in 2022, top 2 banks with the highest ROE in the industry thanks to outstanding NIM.

Compulsorily restructure a credit institution. MBB has the following main benefits after receiving a compulsory transfer of a credit institution: (1) MB is not required to consolidate the financial statements of the transferred credit institution; MBB is allowed to exclude the compulsory transferred credit institution when calculating the consolidated capital adequacy ratio; (2) The compulsory transfer of a credit institution made MB grow 1.5-2x in the next 3-5 years, which is higher than the average market growth rate; (3) Optimizing the distribution network of MBB and the credit institution (expected to be about 401 network points nationwide) would expand customer service coverage and enhance the brand awareness for MBB.

Valuation & recommendation:

We project the credit growth of 17.3%, lower than the growth of 25% in 2022 due to the challenging economic prospect and the reduced growth of corporate bond, given the difficulty of real estate market.

We project NIM would lower 29 bps to 5.53%, as we expect the downward trend of interest rates hurts the loan and bond portfolio.

As the expiration of Circular 14 and economic difficulty affect the bank's asset quality, we project NPL ratio would rise 10 bps to 1.19%, while Provision expense would increase 22.4%YoY to VND 9,854 Bn and Loan Losses Reserve ratio would rise to 245.9%.

Using the method of Discounted Residual Income and P/B, we determine the fair price for MBB at 27,800 VND/share. Hence, we recommend: Buy for MBB.

Investment risks:

(1) Interest rate risk; (2) Risk from rising NPLs; (3) Competitive risk; (4) Risk for corporate bonds.

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (VND billion)	14,583	18,000	20,278	26,200	36,023	41,863
Net Profit (VND billion)	6,190	8,069	8,606	13,221	18,155	21,507
EPS (VND)	2,865	3,401	3,075	3,499	4,004	4,743
EPS Growth (%)	77%	30%	7%	54%	37%	18%
Book Value (VND)	15,817	16,810	17,900	16,538	17,559	22,155
P/E	3.93	3.21	3.16	6.64	5.59	5.88
P/B	0.71	0.65	0.54	1.41	1.28	1.27
Cash dividends (VND)	0%	0%	0%	0%	3.5%	N/A