

Military Bank (MBB VN)

Earnings boost on superior loan growth and strong bancassurance results

BUY

Current price (07-22-2019): VND 22,200

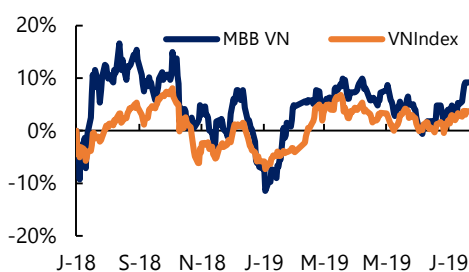
Target price: VND 29,880

Upside: 35%

MBB reported strong 1H19E preliminary PBT of VND4.9 tn, +27% YoY, 49% of full-year guidance and our 2019E forecast. We expect NIM to further increase thanks to a superior loan growth and a high CASA ratio (33% as at 2Q19E), and fee income to be higher supported by bancassurance. The stock is cheap despite scoring very highly on our [CAMEL analytical framework](#), and we reiterate our Buy rating.

52-week Price Range	Market Capitalization	FY19E Dividend Yield	Remaining Foreign Room	Free-float	3-month ADT
VND 18,050-24,500	USD 2.0 bn	3.4%	0%	55.2%	USD2.2 mn

YTD price performance vs. VNIndex



Event catalysts

- Sector-high CASA deposit ratio results in structurally high NIM.
- Higher credit growth vs. peers due to early Basel II compliance.
- Bancassurance subsidiary provides an earnings boost.
- Attractive valuation: 1.1x 2019E P/BV on 21% ROE.

Risks to our call

- Full-FOL ironically constrains the share price upside.
- Our expectation for additional loan quota may not be fulfilled.
- Capital issue timing and price are unknown.
- Circular 43 could slow consumer finance growth.

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Company profile: MBB has the highest CASA ratio in the Vietnamese banking sector at 33% as at 2Q19E (vs the peer median of 14%). It is Vietnam's fifth biggest listed bank with 6.1% market share of assets, where retail loans (38% of the total) and private corporate loans (50%) are the key growth drivers.

Key Financials	2018A	2019E	2020E
NIM	4.65%	5.02%	5.11%
Fee growth	127%	45%	26%
Adj. CIR	48.5%	49.4%	48.2%
Adj. PPOP growth	37.4%	24.1%	20.4%
Adj. PPOP/Asset	2.75%	2.97%	3.13%
Adj. ROA	1.81%	2.05%	2.19%
Adj. ROE	19.2%	21.2%	21.6%
PER (x)	7.4x	5.6x	4.5x
PBR (x)	1.3x	1.1x	0.9x
Dividend yield	2.5%	3.4%	4.6%
Loan growth	16.6%	16.3%	14.5%
Deposit growth	9.0%	13.8%	14.5%
NPL	1.33%	1.44%	1.40%
Loan loss coverage	112%	110%	115%

Source: Company Data, Yuanta Vietnam

Preliminary net interest income of VND 4.4 tn in 2Q19E (+6% QoQ, +25% YoY) and VND8.5 tn in 1H19E (+25% YoY) fulfilled 47.4% of our 2019E forecast. Loan growth reached 11% YTD. The SBV initially set MBB's credit growth quota at 13% for 2019 but more recently increased the quota to 17% (vs. our full-year forecast of 16% growth), due to MBB's early Basel II compliance.

Bancassurance drives extremely strong fee income growth. Fee income reached VND 1,055 bn in 2Q19E (+39% QoQ / +59% YoY) and VND 1,813 bn in 1H19E (+85% YoY). Bancassurance fees accounted in 1H19E were up 155% YoY to account for 58% of total fee income during the first six months of 2019.

Provisioning jumped significantly in 2Q19E, with VND1.4 tn (up 45% QoQ and up 47% YoY). Total provision in the 1H19 was up 44% YoY.

Asset quality remains solid. MBB's NPL ratio fell to 1.26%, down 7bps HoH and 24 bps lower than the bank's initial target of 1.5%. Notably, Category 4 NPLs were up 73% HoH, but Category 5 NPLs declined 67% HoH.

Preliminary 2Q19E PBT was VND2,451 bn (up 1% QoQ and up 28% YoY), and 1H19 PBT was VND4,875 bn (up 27% YoY), completing 49.3% of the Bank's full-year target and 48.9% of our 2019E forecast.

We reiterate our Buy rating (see our [initiation](#) for details).

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Ratings	Total expected return within the next 12 months
BUY	Above 10%
HOLD	Between -10% to +10%
SELL	Below 10%

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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