

Vietnam

January 25, 2019 - 3:37 PM

ADD (no change)

Consensus ratings*: Buy 8 Hold 0 Sell 0

Current price:	VND21,200
Target price:	VND31,100
Previous target:	VND31,100
Up/downside:	46.7%
CGS-CIMB / Consensus:	-2.4%
Reuters:	MBB.HM
Bloomberg:	MBB VN
Market cap:	US\$1,974m
	VND45,801,568m
Average daily turnover:	US\$4.93m
	VND114,839m
Current shares o/s	2,160m
Free float:	20.0%

*Source: Bloomberg

Key financial forecasts

	Dec-18F	Dec-19F	Dec-20F
Net Profit (VNDb)	6,190	6,882	8,141
Core EPS (VND)	2,656	2,952	3,492
Core EPS Growth	75.1%	11.2%	18.3%
FD Core P/E (x)	7.98	7.18	6.07
Recurring ROE	18.9%	17.9%	17.9%
P/BV (x)	1.40	1.18	1.01
DPS (VND)	600.0	600.0	600.0
Dividend Yield	2.83%	2.83%	2.83%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.7	0.7	-9.9
Relative (%)	3.7	2.2	6.5

Major shareholders	% held
Viettel Group	14.6
SCIC	9.7
Vietnam Helicopter Corporation	7.8

Analyst(s)

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Military Commercial Joint Stock Bank

Strong in all facets

- FY18 pre-tax profit of VND7,767bn (+68.3% yoy) overshoot company target by 14%, and accounted for 99% of our forecast.
- Robust net profit growth was driven by strong core earnings growth and a fall in provision expense as we had expected.
- Superb performance in FY18 prompts us to reiterate our Add rating on MBB. We maintain our forecasts for now.

Higher net interest margin (NIM) made up for lower loan growth

- MBB yesterday announced that its FY18 net interest income (NII) grew 30.0% yoy on the back of 16.6% yoy loan growth and a 39bp yoy hike in NIM.
- Due to State Bank of Vietnam's tightening credit policy, MBB's loan growth for the year was only 16.6% yoy, lower than 22.2% yoy in FY17. Deposit growth was tempered down in tandem. FY18 deposit growth was 9.0% yoy vs. 13.0% yoy in FY17.
- Individual loans with higher yields increased 34.4% yoy, substantially lifting their contribution to the total loan book from 33.0% at end FY17 to 38.1% at end-FY18. As such, NIM surged from 4.14% in FY17 to 4.53% in FY18.

Non-II surged 87.1% yoy with strong growth across all categories

- Net fee income jumped 126.7% yoy, driven by payment income, insurance and securities services.
- MBB's subsidiaries contributed 53.9% to its consolidated fee income in FY18, with insurance subsidiaries accounting for 52.1%. MBB's bancassurance business has seen rapid expansion since its commissioning in 2017; its market share in life insurance bancassurance rose from 3.5% in FY17 to 11.6% in 9M18.
- Income from trading and investment securities grew 108.0% yoy as the bank took profit on its bond portfolio capitalizing on the low bond yield environment in 1Q18.
- Other non-interest income (non-II) grew 36.8% yoy, with the recovery of bad debts being the major contributor.

Provision expense plunged as expected but asset quality remained healthy

- Provision expense dropped 6.6% yoy as MBB completed provisioning for the bad debts sold to the Vietnam Asset Management Company (VAMC) in FY17.
- Non-performing loan (NPL) ratio slightly rose from 1.2% at end-FY17 to 1.3% at end-FY18. However, MBB increased provisioning to improve its loan-loss-reserves from 95.9% at end-FY17 to 113.2% at end-FY18.

Newly-announced 5% share buyback plan will boost EPS

- MBB just announced a plan to buy back 5% of its outstanding shares, or 108m shares. At the current market price, MBB will need c.VND2,200bn-2,300bn to execute this share buyback plan, which can be funded through existing cash reserves or deposits at other banks.
- If MBB achieves its share buyback target, our FY19F EPS would be 4.4% higher.

Maintain Add and TP of VND31,100

- We maintain our Add call on MBB with a TP of VND31,300, based on residual income approach (COE: 13.8%, LTG: 3.0%; 70% weighting) and P/BV multiple (30% weighting) using a target P/BV of 1.9x for FY19F.
- Potential re-rating catalysts include the divestment from Military Insurance Joint Stock Company (MIG VN, Not rated) and the successful execution of the share buyback.
- Downside risks come from increasing NPLs due to higher risks inherent in retail lending and acceleration in inflation which could hurt its loan growth.

Figure 1: Regional sector comparison

Company	Bloomberg Ticker	Recommendation	Closing Price	Target Price	Market cap	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)	
			(local curr.)	(local curr.)	(US\$m)	FY18F	FY19F	FY18F	FY19F	%	FY18F	FY19F
China Merchants Bank	3968 HK	ADD	32	38	103,283	1.4	1.2	8.6	7.4	16.9%	17.0%	17.6%
Indusind Bank	IIB IN	ADD	1,490	2,100	12,630	3.4	2.9	22.1	17.1	24.6%	16.6%	18.3%
BDO Unibank Inc	BDO PM	ADD	135	150	11,169	1.8	1.6	18.1	14.3	18.3%	10.5%	11.9%
Vietcombank	VCB VN	ADD	55,400	73,800	8,858	3.2	2.7	16.6	14.4	21.1%	16.2%	16.0%
Yes Bank	YES IN	HOLD	215	215	7,009	1.7	1.5	10.9	8.3	24.4%	17.0%	19.2%
TMB Bank	TMB TB	HOLD	2	2	3,041	1.0	0.9	8.3	10.7	3.4%	12.3%	8.8%
Average regional peers						2.1	1.8	14.1	12.0	18.1%	14.9%	15.3%
Military Commercial Joint Stock Bank	MBB VN	ADD	21,200	31,100	1,974	1.4	1.2	7.4	6.7	32.0%	18.9%	17.9%

PRICE AS OF 24 JAN 2019
 SOURCES: CGS-CIMB RESEARCH, VND RESEARCH, COMPANY REPORTS

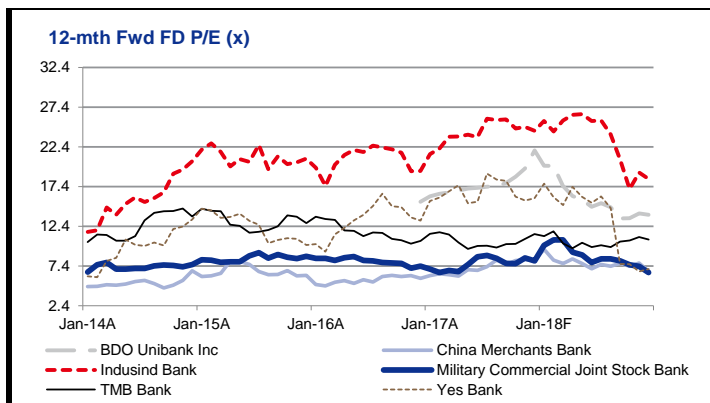
BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Net Interest Income	11,219	14,583	16,388	19,157
Total Non-Interest Income	2,648	4,955	4,987	5,850
Operating Revenue	13,867	19,539	21,375	25,007
Total Non-Interest Expenses	(5,999)	(8,734)	(9,191)	(10,753)
Pre-provision Operating Profit	7,868	10,805	12,184	14,254
Total Provision Charges	(3,252)	(3,038)	(3,212)	(3,619)
Operating Profit After Provisions	4,616	7,767	8,972	10,635
Pretax Income/(Loss) from Assoc.	0	0	0	0
Operating EBIT (incl Associates)	4,616	7,767	8,972	10,635
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	4,616	7,767	8,972	10,635
Exceptional Items				
Pre-tax Profit	4,616	7,767	8,972	10,635
Taxation	(1,125)	(1,577)	(1,884)	(2,233)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
Profit After Tax	3,490	6,190	7,088	8,402
Minority Interests	29	0	(206)	(260)
Prof. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	3,520	6,190	6,882	8,141
Recurring Net Profit	3,262	5,738	6,378	7,545

Balance Sheet				
(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Gross Loans	237,686	259,748	300,885	343,152
Liquid Assets & Invst. (Current)	53,841	74,788	58,213	62,870
Other Int. Earning Assets	6,805	10,584	7,358	7,946
Total Gross Int. Earning Assets	298,332	345,120	366,456	413,969
Total Provisions/Loan Loss Reserve	(2,486)	(3,588)	(4,927)	(6,256)
Total Net Interest Earning Assets	295,847	341,532	361,529	407,714
Intangible Assets	1,018	1,113	1,187	1,282
Other Non-Interest Earning Assets	15,171	17,979	17,696	19,111
Total Non-Interest Earning Assets	16,189	19,093	18,883	20,394
Cash And Marketable Securities	1,842	1,737	2,149	2,320
Long-term Investments	0	0	0	0
Total Assets	313,878	362,361	382,560	430,428
Customer Interest-Bearing Liabilities	226,198	251,122	275,430	313,725
Bank Deposits	46,101	60,471	54,243	56,955
Interest Bearing Liabilities: Others	2,145	2,995	2,220	2,258
Total Interest-Bearing Liabilities	274,444	314,587	331,893	372,938
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	9,832	13,601	10,138	9,855
Total Liabilities	284,277	328,188	342,031	382,792
Shareholders' Equity	28,170	32,643	38,723	45,568
Minority Interests	1,431	1,530	1,807	2,067
Total Equity	29,601	34,173	40,530	47,635

Balance Sheet Employment				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Gross Loans/Cust Deposits	83.7%	89.5%	90.6%	91.4%
Avg Loans/Avg Deposits	80.7%	86.7%	90.1%	91.0%
Avg Liquid Assets/Avg Assets	36.9%	36.7%	34.5%	32.1%
Avg Liquid Assets/Avg IEAs	38.8%	38.6%	36.1%	33.5%
Net Cust Loans/Assets	57.9%	58.3%	62.4%	63.6%
Net Cust Loans/Broad Deposits	66.7%	67.7%	72.4%	73.9%
Equity & Provsns/Gross Cust Loans	16.4%	16.8%	17.8%	18.4%
Asset Risk Weighting	98%	116%	109%	110%
Provision Charge/Avg Cust Loans	1.94%	1.52%	1.40%	1.38%
Provision Charge/Avg Assets	1.14%	0.90%	0.86%	0.89%
Total Write Offs/Average Assets	1.56%	0.57%	0.50%	0.56%

Key Ratios				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Income Growth	40.7%	40.9%	9.4%	17.0%
Operating Profit Growth	38.5%	37.3%	12.8%	17.0%
Pretax Profit Growth	26.4%	68.3%	15.5%	18.5%
Net Interest To Total Income	80.9%	74.6%	76.7%	76.6%
Cost Of Funds	3.49%	3.48%	3.53%	3.71%
Return On Interest Earning Assets	7.34%	7.72%	7.81%	8.26%
Net Interest Spread	3.85%	4.24%	4.28%	4.55%
Net Interest Margin (Avg Deposits)	5.41%	6.34%	6.44%	6.66%
Net Interest Margin (Avg RWA)	4.09%	4.01%	3.92%	4.30%
Provisions to Pre Prov. Operating Profit	41.3%	28.1%	26.4%	25.4%
Interest Return On Average Assets	3.94%	4.31%	4.40%	4.71%
Effective Tax Rate	24.4%	20.3%	21.0%	21.0%
Net Dividend Payout Ratio	30.9%	20.9%	18.8%	15.9%
Return On Average Assets	1.23%	1.83%	1.85%	2.00%



Key Drivers				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Loan Growth (%)	22.2%	16.6%	13.5%	15.0%
Net Interest Margin (%)	4.1%	4.5%	4.6%	4.9%
Non Interest Income Growth (%)	41.1%	87.1%	0.6%	17.3%
Cost-income Ratio (%)	43.3%	44.7%	43.0%	43.0%
Net NPL Ratio (%)	0.8%	0.7%	0.7%	0.8%
Loan Loss Reserve (%)	95.9%	104.2%	103.4%	102.0%
GP Ratio (%)	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	9.2%	7.8%	9.3%	9.6%
Total CAR (%)	12.0%	11.2%	11.1%	11.4%
Deposit Growth (%)	13.0%	9.0%	12.0%	14.0%
Loan-deposit Ratio (%)	82.5%	88.0%	88.8%	89.4%
Gross NPL Ratio (%)	1.2%	1.6%	1.8%	2.0%
Fee Income Growth (%)	65.6%	126.7%	2.0%	25.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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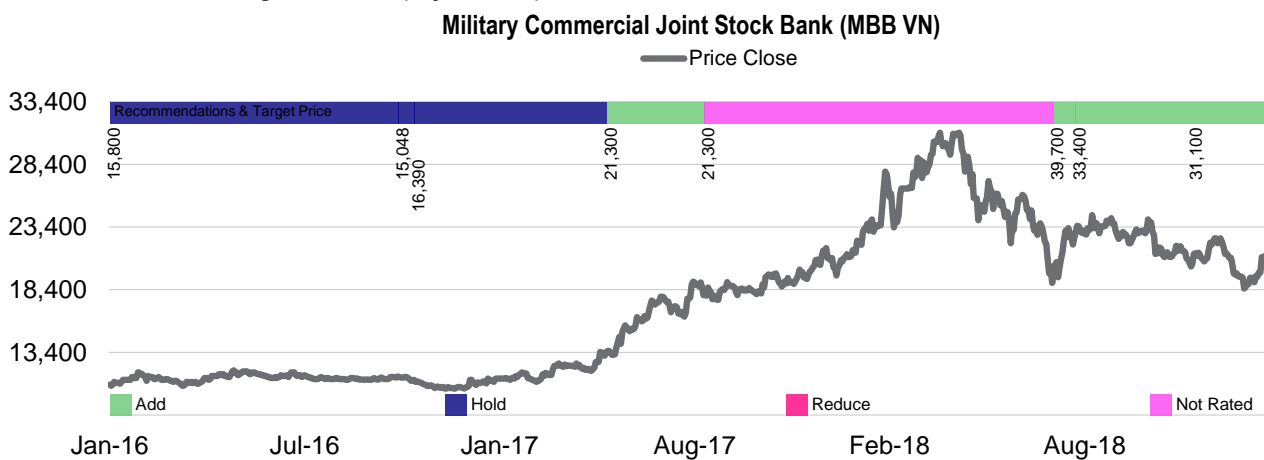
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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