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Military Bank (MBB)

Updates on 2024 AGM

Updates on 2023 results and preliminary 1Q2024 results

- 2023 business results: Credit growth reached 28.7% YTD, and the CASA ratio remained stable at 40%. Customer deposits hit VND569,640 billion (up 27.3% YTD). CASA balance also grew nearly 27% compared to 2022. For the full year 2023, MBB's net profit totaled over VND26,306 billion, up 15.7% YoY. Profitability remains high, with ROA and ROE of approximately 2.5% and 25% respectively.
- Preliminary 1Q2024 results: MBB reported relatively sluggish credit growth in the first quarter of this year, up 0.23% YTD compared to 5% in the first quarter annually. Profits neared VND5,800 billion on revenue of VND12,000 billion.

2024 guidance

- Regarding 2024 guidance, pre-tax profit is expected to grow from 6–8% YoY. With VND26,306 billion achieved in 2023, MBB's consolidated pre-tax profit for 2024 is forecasted to range from VND27,884 billion to VND28,411 billion.
- Credit is projected to grow by 15–16% in 2024, depending on the limit given by the State Bank of Vietnam (SBV). Mobilization should be based on capital utilization demand.
- Concerning metrics like ROE, ROA, or CIR, the bank aims to be among the top performers in the industry. MBB aims to reach 30 million customers by the end of 2024 and 40 million by 2029. The dividend payout ratio for 2024 is estimated to be between 10–20%. From 2024 to 2029, MBB plans for asset and mobilization growth at an average annual growth rate of ~14% and 15% over the next five years at 15%, respectively.

Discussions at the AGM

- Credit-related issues:
 - NVL's outstanding loans: MBB reported a significant decrease of VND2,300 billion in outstanding loans to Novaland (NVL) in 2023. MBB provides project-based loans to NVL, and these projects are actively supported legally for the next phases. The bank's management noted that its new practices have helped reduce nearly half of NVL's debt.
 - Trung Nam's outstanding loans: MBB has disbursed for solar power projects under preferential feed-in-tariffs FIT 1 and FIT 2, but delayed payments by Vietnam Electricity Group (EVN) in the past three months have impacted the cash flow of these projects.
 - Focusing on production and business, mortgage, and auto loans: MB primarily focuses on lending to customers intending to purchase homes for residential purposes rather than investment. Regarding car loans, it has not been a strong suit for the bank (accounting for only 0.2% of the total outstanding loans), and it also poses significant risks. As a result, MBB is relatively cautious concerning this segment. However, it will explore new ways to further develop this segment in the future.

- MCredit: In 2023, MCredit recorded a profit of VND300 billion, with ROE decreasing from 40% to 8% due to difficulties in consumer lending. Recognizing the high inherent risks in cash lending, MBB plans to transition its model to consumer lending based on existing data on 26 million customers. MBB sets a profit target of VND600 billion for 2024.
- Interest rates and NIM: Since late last year, the government has been urging banks to lower lending rates to support businesses. MBB's average lending interest rates have decreased by 1-1.5%, and its management stated further reductions are unlikely. Interest rates are forecasted to remain stable throughout 2024 and may increase towards the end of the year. NIM for the entire industry in 2023 experienced significant declines due to high interest rates. MBB expects this trend to continue in 2024 due to sluggish credit growth since the start of the year.

Others

- The bank sets a cautious growth target of 6-8% amidst economic challenges in 2024 and the industry-wide NIM continuing its decline. However, if MBB receives extended credit room following the takeover of a poor-performing financial institution, MBB could potentially achieve growth of ~10%, according to the Board of Directors.
- The interconnectedness status with Credit Information Corporation (CIC) has sent MBB's non-performing loan (NPL) ratio higher. In particular, CIC has contributed 10-15% to MBB's NPL ratio, and it is showing a continuing upward trend.
- Capital utilization plan: MBB plans to issue an additional 62 million shares through private placement, equivalent to a capital increase of VND620 billion. This should proceed from 2024 to 2Q2025. Previously, the bank completed a private placement of 73 million shares to State Capital and Investment Corporation (SCIC) and Viettel Group.

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

| | | |
|--------------|--------------|--------------|
| Buy: | Neutral: | Sell: |
| +15% or more | +15% to -15% | -15% or more |

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

| | | |
|-----------------------|---------------------------------|-------------------------|
| Positive: | Neutral: | Negative: |
| Outperform the market | Perform in line with the market | Underperform the market |

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