

24 May 2023

Maritime Bank (MSB)

Bad debt acceleration

AM briefing

- We joined MSB's analyst meeting on May 24 which featured the strategic visibility on the bank and shed some light on its 1Q23 operational updates.

1Q23 Net profit remained flattish

- MSB released its results with PBT up 2.1% yoy to VND1,526bn, derived from top-line growth (+19%yoy). A significant OPEX rise (+26.8% yoy) and ballooning provision expenses (+136%yoy) were the key dampening factors.
- 1Q23 PBT completed 24.2% of the 2023 target, on track of MSB's the plan.

Credit growth accelerated

- 1Q23 total credit rose +13.2% YTD, vs 1Q22 of 9.2%YTD and the industry's credit growth (2.06%YTD). Of which, 1Q23 customer loan accounted for 98% and grew at 13.4% YTD.
- 1Q23 customer loan was fueled by corporate loan (+22.4%YTD). Besides, Retail and SME was up 9.2%/ 5.0%YTD respectively. On MSB's vision, Retail and SME could prioritize exposure to the customer loan portfolio.
- Deposit and valuable value (+8.5%YTD) lagged behind total credit in 1Q23.
- The 1st attempt of 2023F credit growth was granted with 13.55% yoy by SBV and the bank eyes a 15%yoy credit growth in 2023 eventually.

NIM contraction caused by higher COF

- 1Q23 NIM (TTM) inched down to 4.3% (vs 4.5% in 4Q22 and 3.9% in 1Q22) in the backdrop of expensive COF due to hiking deposit interest rate
- In 1Q23, a lower CASA ratio of 22.6% (vs. 31.2% as of end-2022) lifted the COF up. According to the management, the CASA ratio could recovery from May 2023 and especially from 3Q23F amid the COF decline.

12M rating **Non-rated**

12M TP

Up/Downside

Stock Data

VNIndex (May 24, pt)	1,066
Stock price (May 24, VND)	12,050
Market cap (USD mn)	1,026
Shares outstanding (mn)	2,000
52-Week high/low (VND)	15,924/10,350
6M avg. daily turnover (USD mn)	1.17
Free float / Foreign ownership (%)	85.8/29.9
Major shareholders (%)	
VNPT	6.09
Thanh Vinh Real estate devop and inves	4.67

Performance

	1M	6M	12M
Absolute (%)	0.0	0.0	-0.2
Relative to VNIndex (%p)	0.0	-0.1	-0.1

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	4,716	4,715	7,182	10,588	10,694
chg. (% YoY)	45.2	0.0	52.3	47.4	1.0
PPE (VND bn)	1,792	2,213	3,597	6,656	6,266
Net profit (VND bn)	868	1,044	2,011	4,035	4,616
EPS (VND, adj.)	762	971	1,872	2,704	2,252
chg. (% YoY)	612.1	27.4	92.8	44.4	-16.7
PB (x)	1.0	1.0	0.8	0.8	0.9
PE (x)	16.4	13.7	7.1	4.6	5.2
P/PPE (x)	7.9	6.4	3.9	2.8	3.8
NIM (%)	2.8	2.5	3.4	3.7	4.4
ROE (%)	6.3	7.3	12.7	20.7	19.0
ROA (%)	0.7	0.7	1.2	2.1	2.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
CAR (%)	N/A	N/A	10.6	11.52	12.3

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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Research Dep

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NFI growth momentum revived

- NFI went up 34.1% yoy (VND771bn) in 2023. Of which, banca fee, card, LC& settlement expanded +110%yoy (18.3% of NFI), +84.9%yoy (5.2% of NFI), +69.8%yoy (29.1% of NFI) respectively while FX and other incomes dropped 26.5%yoy and 43.2%yoy, respectively.

High OPEX due to staff cost

OPEX surged 26.8% yoy mainly because of heavier staff cost (+47.7% yoy, 58% of OPEX). The CIR ratio accelerated from 30.8% in 1Q22 to 32.7% in 1Q23.

Firm asset quality

- In the group-wide: The ratio of loan type 2-5 to cross loan and NPL climbed to 5.2% (vs. 3.1% as of end-2022) and 2.0% (vs. 1.7% as of end-2022) respectively.
- We note that the 1Q23 loan type 2 grew +146%YTD to VND4,337bn, about added VND2,700bn. Of which Novaland, Hoa Binh, SME, and retail made up VND1,150bn, VND545bn, VND450bn, and VND555bn respectively. NVL and Hoa Binh are classified (CIC reclassification) to type 2 (unit now). The management estimates that the type 2 moving to type 3 could be 10-12% for mass customers. NVL still repays full principal and interest with a collateral value over VND2,000bn. MSB still re-granted the credit line of VND2,000bn to Hoa Binh based on other banks' approvals as the management's sharing.
- Restructuring loan on circular 02 is estimated at VND229bn. Of which, SME and retail estimate VND189bn and VND40bn respectively according to the management.

Update to the divestment of FCCOM

- According to the management, the deal is expected to complete within 6-12 months. The deal pricing depends on the negotiation with the investors. MSB estimates a profit of VND1,400-1,800bn (based on the current potential investors) and could disclose the profit in 2024.

Recommendation and Ratings

- MSB is trading at PB of 0.87x, 41% discount over private peers' average of 1.48x and lower than the five-year average of 0.92x.

Table 1: Snapshot of income statement

	Units: VNDbn, %				
	1Q22	4Q22	1Q23	QoQ	YoY
Net interest income	1,964	2,098	2,158	2.9	9.9
Total operating income	2,406	2,665	2,869	7.7	19.2
OPEX	(740)	(1,633)	(939)	(42.5)	26.9
Credit provision expense	(171)	(69)	(403)	482.4	136.2
PBT	1,495	963	1,526	58.5	2.1

Source: Fiinpro, company data

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