

9 Aug 2023

Maritime Bank (MSB)

Heightened bad debt remained

AM briefing

- We tuned in MSB's analyst meeting on Aug 9 which shed some light on its 2Q23 operational updates.

High provision expense eroded 2Q23 profit

- 2Q23 PBT was up 9.8% yoy (to VND2,022bn) thanks to a strong growth of TOI (+27%yoy) from the low base of other income in 2Q22 and manageable OPEX. With the low base of provision expense in 2Q22 and the bad debt increase, 2Q23 high provision expense (+534%yoy) was the key dampening factor to the profit growth.
- Accumulated results, 1H23 PBT rose 6.4% yoy to VND3,548bn, completing 56% of the 2023 target.

Credit growth from LC, LMC customers

- 2Q23 total credit rose +12.7% YTD, equivalent to 1Q23's 12.9% YTD and higher than the sectors' 4.7% YTD as our calculation.
- 2Q23 LC and LMC loan (+28.09%YTD, +4.7%qoq) was the driver of the total consumer loan (+13.22%YTD, -0.16%qoq). Meanwhile, Retail (+7.49%YTD, -1.6%qoq) and SME (4.66%YTD, -0.35%qoq) grew slowly amid the lower demand.
- 2Q23 total deposit balance (+4.7%YTD) grew lower than 1Q23's 8.5%YTD due to a decrease in the valuable papers and lagged behind total credit in 2Q23.
- As of end-July, the credit growth was 15.8%YTD; and current credit room of 17.8%.

12M rating **NON-RATED**

12M TP

Up/Downside

Stock Data

VNIndex (09 Aug, pt)	1,234
Stock price (09 Aug, VND)	14,200
Market cap (USD mn)	1,196
Shares outstanding (mn)	2,000
52-Week high/low (VND)	14,847/10,350
6M avg. daily turnover (USD mn)	2.72
Free float / Foreign ownership (%)	85.8/30.

Major shareholders (%)

VNPT	6.05
Thanh Vinh Real estate devop and inves	4.67

Performance

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

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	4,716	4,715	7,183	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)	1.2	1.2	1.0	1.0	1.1
PE (x)	19.8	16.5	8.6	5.5	6.3
P/PPE (x)	9.6	7.8	4.8	3.2	4.6
NIM (%)	2.8	2.5	3.4	3.7	4.4
ROE (%)	6.3	7.0	13.0	21.0	19.0
ROA (%)	0.7	1.2	2.1	2.2	0.7
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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Narrower NIM with lower asset yield

- 2Q23 NIM (TTM) inched down to 4.3% (vs. 4.4% in 1Q23 and 4.1% in 2Q22) due to lower asset yield. Meanwhile, COF slightly fell from 1Q23's 4.9% to 2Q23's 4.7% amid the deposit rate decrease. 2023 NIM could maintain at 4%, per company.
- The CASA ratio slightly recovered from 1Q23's 22.6% to 2Q23's 24.2% (vs. 31.0% as of end-2022).

Impressive net fee income growth

- NFI went up 85.3%yoy (to VND1,317bn) in 2Q23. Of which, banca fee, card, LC& settlement, card fees, and other income expanded +43.45%yoy, 136.28%yoy, 88.02%yoy, and 121.16% respectively, while FX dropped 7.37%yoy.
- According to the management, 2Q23 Banca fee rose sharply thanks to recorded fee allocation from prudential, but no detailed number

Manageable OPEX

- 2Q23 OPEX dropped by 5% yoy mainly due to the expense increase for digitalization, per management. The CIR ratio declined from 2Q22's 38% to 2Q23's 29%

Remained high NPL

- 2Q23 NPL (2-5 group) and NPL (3-5 group) climbed to 6.0% (vs. 1Q23's 5.2%) and 2.6% (vs. 1Q23's 2.0%) respectively.
- The management views that 2Q23 loan type 2 (+183%YTD and 7%qoq to VND4,633bn) could not switch to higher debt groups because Novaland and Hoa Binh with the highest proportion could fully repay their loan obligations.

Recommendation and Ratings

- MSB is trading at PB of 0.98x, lower than peers' average of 1.58x (61% premium) and lower than the three-year average of 1.35x (37% premium)

Table 1: Snapshot of income statement

Units: VNDbn, %

	2Q22	1Q23	2Q23	QoQ	YoY	1H22	1H23	YoY
Net interest income	2,060	2,158	2,211	2.5	7.3	4,024	4,368	8.5
Total operating income	2,784	2,869	3,528	23.0	126.7	5,190	6,396	23.2
Profit before provision expense	1,726	1,930	2,521	30.6	46.1	3,392	4,451	31.2
PBT	1,841	1,526	2,022	32.5	9.8	3,336	3,548	6.4

Source: Fiinpro, company data

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