



Company Report: Maritime Commercial Joint Stock Bank (MSB)

Research Department
14/08/2024

Update on first half year business results

BUSINESS UPDATE

Credit increased 12.41% YTD, mainly from large enterprises and SMEs. Meanwhile, MSB's capital sources mainly came from deposits and the interbank market, with customer deposits reaching VND151,743 billion, up 10.1% QoQ.

Capital from market 2 increased 19.5% QoQ, reaching VND33,880 billion. CASA ratio recovered to 27.6%, with strong growth from SMEs (+18.9% QoQ).

MSB's pre-tax profit reached VND2,160 billion, up 41.2% QoQ. Non-interest income increased sharply, although NIM decreased from 3.9% to 3.7% due to capital costs.

Asset quality improved with risk provisions reaching VND3,007 billion, while the bad debt ratio increased slightly to 2.13%. CAR remained high, above 12.13%.

RECOMMENDATION

We believe that in the coming quarter, MSB's NIM will improve thanks to the SBV's more stable monetary policy and the cooling of interbank market interest rates (one of MSB's mobilization channels).

Interest income played a leading role in the bank's profit growth in the first half of the year. Regarding non-interest business activities, service fee activities as well as FX and investment activities still maintained positive profit growth.

In terms of asset quality, we expect the bank's bad debt ratio to approach the peak and will remain stable or decrease slightly in the next 2 quarters.

We maintain our "Hold" recommendation on MSB shares.

Recommendation:

Holding

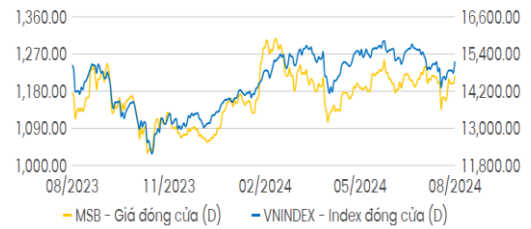
6-18m TP:

N/A

Current price:

VND14,700

Stock price movement



Price change	1 M	3 M	1Y
Price change %	0.68%	2.43%	2.08%
Compare with VN-index	-2.26%	-1.3%	3.52%
Average price (VND)	14,410	14,551	14,034

Source: Bloomberg, Guotai Junan (VN)

No. shares outstanding (million)	2,000	Major shareholders (%)	ietnam Post and Telecommunications Group
Market capitalization (VND b)	29,400	Free float (%)	6.05%
3-month volume average price ('000)	12,640	LDR (%)	90%
High/low price 52w (VND)	15900 / 12200	CAR (%)	79.08
			12.13

Nguồn: the Company, Guotai Junan (VN).

UPDATE BUSINESS RESULTS FIRST HALF OF 2024

Main sources of capital come from deposits and interbank market

MSB has maintained growth in total assets, especially customer and interbank deposits. Customer deposits accounted for the largest proportion at VND 151,743 billion, up 10.1% quarter-on-quarter (QoQ) and 20.2% year-on-year (YoY). Capital from market 2 accounted for VND 33,880 billion, up sharply 19.5% QoQ and 31.5% YoY. Valuable papers accounted for VND 5,477 billion, up significantly 11.5% QoQ and 73.1% YoY but only accounted for a small part of the capital structure.

The CASA ratio continued to recover from 24.2% to 27.6% over the same period. The CASA structure mainly came from individual customers and large enterprises, accounting for 31.3% and 38.7% respectively. However, CASA from SMEs had outstanding growth compared to the other two groups (+18.9% QoQ).

Even though the industry as a whole was growing slowly, credit growth was growing year over year; however, corporate clients accounted for the majority of the robust expansion.

Credit growth reached 12.41% YTD, among the top banks with high credit growth in the system. Outstanding credit reached 219 trillion VND, of which outstanding corporate bonds remained almost unchanged compared to the end of 2023, accounting for only 1,500 billion. In 2024, the SME and large corporate customer segments still accounted for the largest proportion, reaching 35.1% and 41.6% respectively, and SME was also the group with the strongest growth rate, increasing by 35.1% (qoq). Notably, while the proportion of corporate customers increased, the individual customer sector had a much weaker growth rate in the face of the difficult situation of the economy, outstanding loans increased by only 1.1% (qoq).

Digging into the credit growth dynamics, in the retail segment, outstanding credit increased sharply in household business loans and home loans with increases of 8% ytd and 12% ytd respectively. In the corporate lending segment, outstanding business loans in the commercial sector increased sharply by 21% ytd, consistent with the overall picture of Vietnam's trade recovering strongly in the first half of this year.

First half profit reached 54% of yearly plan

Net interest income accounted for 59.9% of TOI in Q2/2024, up from previous quarters, while non-interest income accounted for 40.1%, also growing compared to the previous quarter. This reflects the improvement in MSB's income structure with the increasing contribution of non-interest activities.

MSB's total pre-tax profit reached VND 2,160 billion in Q2, up 41.2% (QoQ) and 6.8% (YoY). Of which, net interest income decreased slightly (-1% YoY) due to the impact of capital costs.

Meanwhile, the bank's non-interest income recorded an improvement compared to Q1, with the main contribution from service activities reaching VND 379 billion (+23.1% qoq), and foreign exchange trading activities recording VND 385 billion. In addition, other income increased sharply to VND 1,201 billion in Q2 (+165.5% QoQ) due to the recovery of VND 800 billion of bad debt that had been provisioned.

In terms of business efficiency, the bank's NIM decreased from 3.9% to 3.7% compared to the previous quarter due to the impact of increased capital costs. Compared to previous quarters when MSB benefited from cheap capital from the interbank market, in Q2/2024, due to the tension in the USD/VND exchange rate, market interest rates increased sharply, causing MSB's COF to be significantly affected.

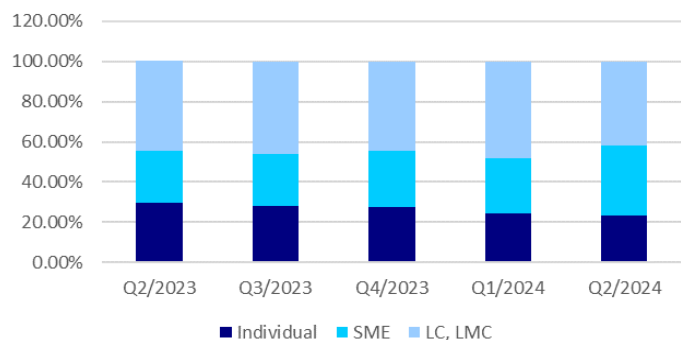
In terms of operating efficiency, Operating Expenses (OPEX), including personnel, asset, and other expenses, remained stable with CIR decreasing slightly to 31% in Q2/2024 from 34% in Q1/2024. Personnel costs accounted for a large proportion, increasing by 6.7%, while asset costs and other expenses increased by more than 18% due to digital transformation activities.

Prudent risk management with improved asset quality

MSB's asset quality in Q2/2024 demonstrated prudent risk management with several highlights: the loan-to-deposit ratio (LDR) increased to 72.6%, while the short-term capital to medium- and long-term lending (MTLT) ratio decreased to 26.1%, reflecting the liquidity risk reduction strategy. Credit risk provisions increased sharply to VND3,007 billion, ensuring a bad debt coverage ratio of 58.8%, helping the bank be ready to deal with bad debts, although the non-performing loan (NPL) ratio increased slightly to 2.13%. The capital adequacy ratio (CAR) reached 12.13%, much higher than the prescribed threshold of

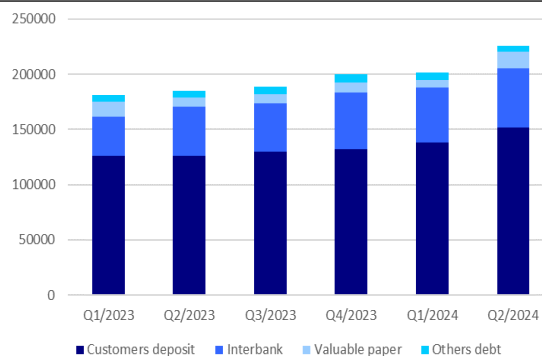
8%, showing that MSB is maintaining a solid capital buffer, ensuring resilience to market risks. However, there are still challenges to be addressed, including controlling the rising LDR ratio and the slight increase in the bad debt ratio.

Figure-1: Customer lending by segment



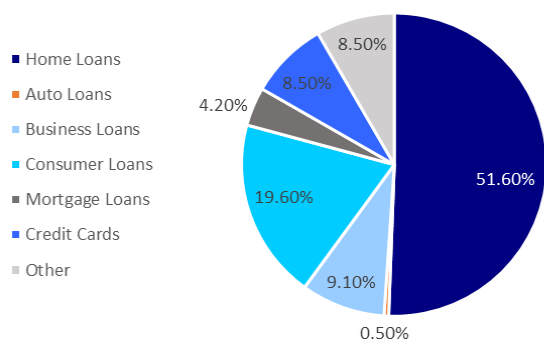
Source: MSB, Guotai Junan (VN).

Figure-2: Capital structure



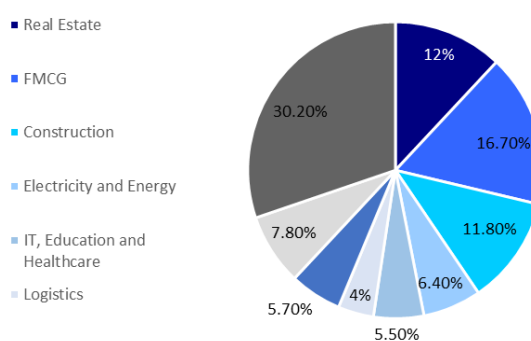
Source: MSB, Guotai Junan (VN).

Figure-3: Personal customer debt



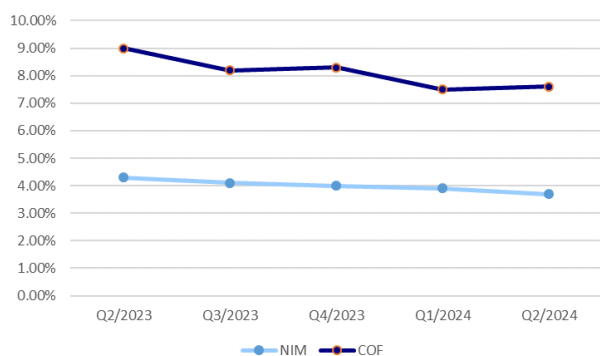
Source: MSB, Guotai Junan (VN).

Figure-4: Corporate customer debt



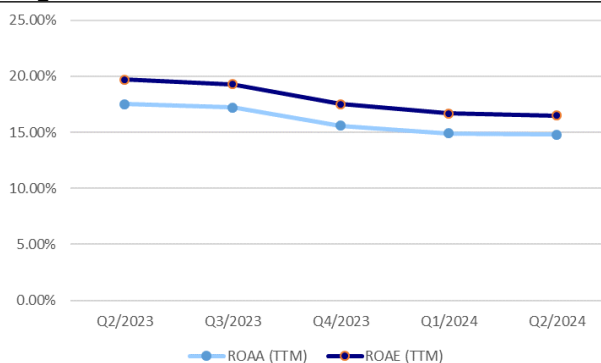
Source: MSB, Guotai Junan (VN).

Figure-5: Net profit margin



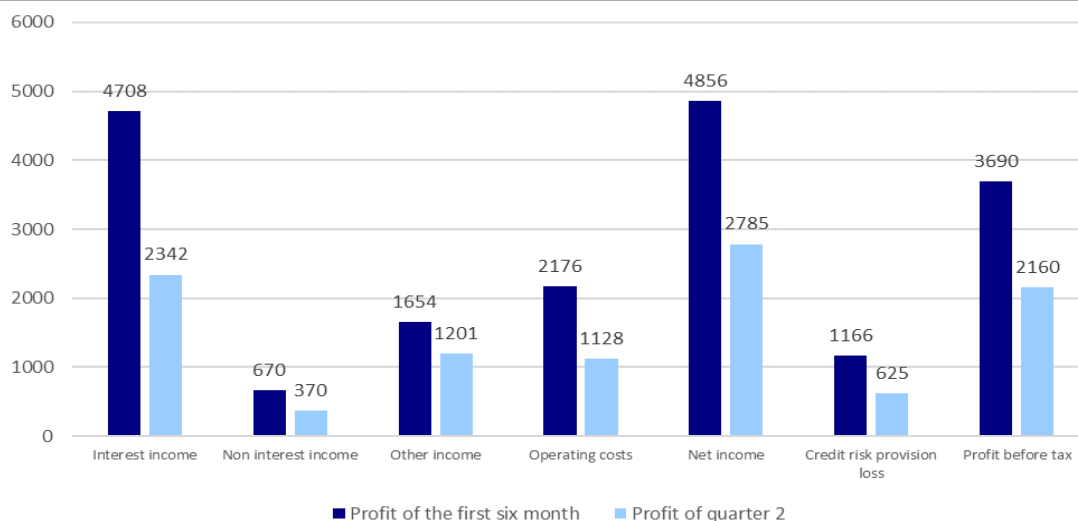
Source: MSB, Guotai Junan (VN).

Figure-6: Rate of return



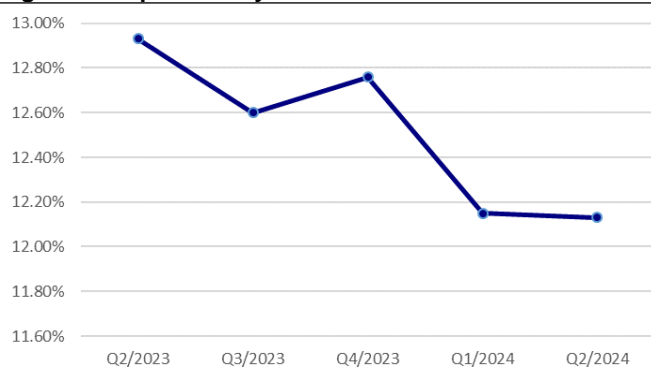
Source: MSB, Guotai Junan (VN)

Figure-7: Q2 Profit



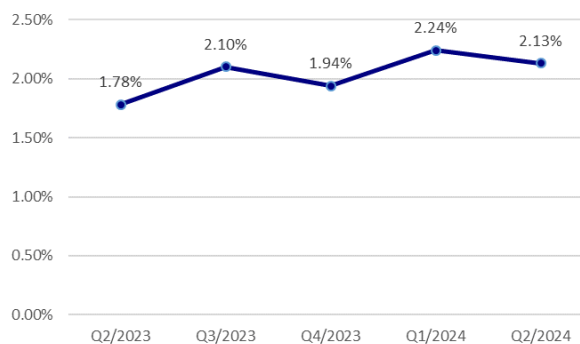
Source: MSB, Guotai Junan (VN)

Figure-8: Capital Safety



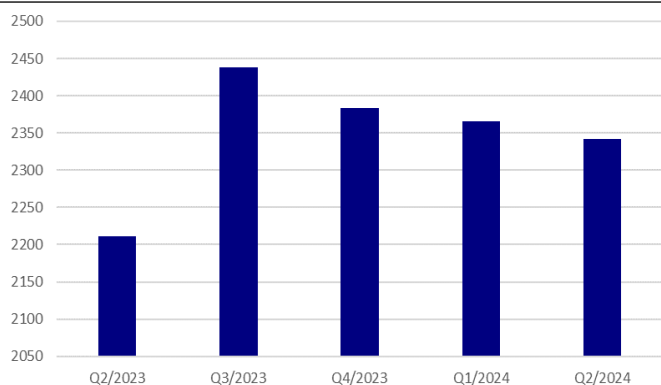
Source: MSB, Guotai Junan (VN).

Figure-9: Bad debt ratio (NPL)



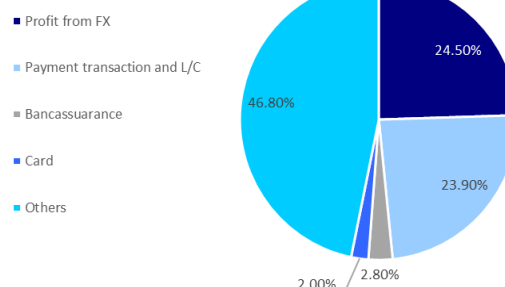
Source: MSB, Guotai Junan (VN)

Figure-10: Net interest income



Source: MSB, Guotai Junan (VN).

Figure-11: Non-interest income



Source: MSB, Guotai Junan (VN)

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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