

Maritime Bank (MSB)

Analyst Meeting Report

MSB's 6M22 profit increased slightly, absent upfront fees

- In 2Q22, Maritime Bank (MSB) recorded net interest income (NII) of VND 2,059 billion (+39.5% YoY and +4.9% QoQ). NIM (TTM) reached 4.03%, the highest recorded over the last five quarters.
- Net fee income (NFI) decreased 27.6%QoQ and 88.3%YoY to VND243.6 billion as it received a part of the upfront fee from the agreement with Prudential in 2Q21.
- Foreign exchange and gold trading brought in VND315 billion. The restructuring of the investment bond portfolio helped the bank earn VND557.7 billion in profit while it lost VND337 billion in the same period last year.
- Total operating income in 2Q reached VND2,784 billion, up 15.7%QoQ and up 21% YoY if excluding upfront fees.
- Operating expenses decreased slightly by 2.2% YoY to VND1,058 billion. The bank recorded a reversal of risk provisions in the second quarter of VND115 billion.
- As a result, 2Q EBT reached VND1,840 billion, up 23.1%QoQ and only slightly down 6.6%YoY.
- 6M EBT was VND3,335 billion, up 3.4% YoY.

The bank has reached the credit limit but there is no information about room extension

- The Management said that MSB ran out of credit room from 1Q, but the use of capital from fully paid loans and restructuring of lending customers helped the bank record good growth.
- 1H22 credit grew 8.8% compared to the beginning of the year (allocated room was 9.5%). Retail lending is still the main driver as its proportion in the credit structure rose 17.6%YTD. Loans for SMEs grew 11.6%YTD, while credit for large enterprises increased by a mere of 1.8%YTD (but its proportion is still high at 42.2%, which lowered credit growth).
- Outstanding loans of corporate bonds at the end of 2Q was VND3,053 billion, of which real estate bonds were valued at VND1,000 billion, construction bonds were VND500 billion, and renewable energy was about VND1,200 billion.
- The bank actively directed credit sources into less risky personal loans such as home loans (+30.6%YTD), business loans (+29.7%YTD), credit cards (+21.2). %YTD) and reduced consumer loans (-11.9%YTD) and car loans (-4.5%YTD).
- There has been no information about credit room extension, but MSB has already met the State Bank's criteria to have get bigger room.

MSB has a good control of asset quality

- Non-performing loan (NPL) ratio dropped 0.4% to 1.1% – the lowest level in the past five quarters.
- Restructured debt by the end of 2Q was VND2,372 billion (-21.9%YTD and -17.6%QoQ), of which real estate business accounted for about 69.1%.
- The bank expects restructured debt to decrease to VND1,400 billion by the end of 2022 thanks to better customers' debt repayment ability and the expiry of the Circular 03/2022/TT-NHNN (which means there would be no more restructured debts).
- Capital adequacy ratio (CAR) continued to improve to 12.17% (minimum 8% according to Basel II).
- Provision for bad debts is only about 84.25%, which is lower than the industry average.
- On-balance sheet NPL ratio was 0.98% before Credit Information Center's adjustment and modestly gained to 1.1% after the adjustment.

MSB would prioritize capital mobilization

- Mobilized capital declined 6.2% Yoy to VND164.8 trillion due to a decrease in interbank deposits (-23.4% YTD). Customer deposits increased 3.9%YTD and issuance of valuable papers increased by 9.8%.
- The rate of CASA in 2Q was 36.7%, down 1.4 percentage points compared to 1Q but still higher than that at the end of 2021.
- The proportions of CASA from individual customers and SMEs were 33% (down from 35.9% in 1Q) and 26.4% (flat QoQ) respectively. CASA from large companies still accounted for the highest proportion with 40.4%.
- Individual customers and large enterprises will still be the driving force for CASA's growth in the coming time. MSB should develop CASA from individual customers more effectively via digital factory projects with BCJ, sales support projects and IT platform restructuring with partner MCKinsey.

There would be no extra gain in 2022 upfront fees

- The Management said that the bank will record upfront fees from the agreement with Prudential in 2023 and will only make profit based on sales in 2022.
- Bancassurance sales in 1H22 rose 32%YoY, equal to about VND60 billion per month. Revenue from bancassurance for the whole year should gain 30% YoY.
- The bancassurance segment is expected to grow well thanks to the conversion from reference to direct sales.
- Ticket size of bancassurance contracts is VND100 million. The rate of reinsurance with a partner is about 80%, which is higher than the market average.

The bank has plans for charter capital raising

- MSB submitted the capital raising plan to the State Bank for approval (which should be got by the end of August) and then worked with the Securities Commission.
- The bank expects to pay bonus shares at the rate of 30% and issue ESOP shares in this September and October.

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Investment Ratings for Stocks

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

Buy:	Hold:	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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