Rating Release:

FiinRatings assigns Long-term Issuer Credit Rating of Vietnam Maritime Commercial Joint Stock Bank ("MSB") at "A" with "Stable" outlook

Hanoi, 18 June 2025

Rating Summary

Criteria	Assessment
Banking Sector Anchor	**a-**
Modifiers:	
Business Position	*+0*
Capital & Earnings	*+1*
Risk Position	*+0*
Funding & Liquidity	*+0*
Stand-alone Credit Profile	***a***
External Support	**+0**
Issuer Credit Rating	**A**
Outlook	**Stable**

Rating Rationale

FiinRatings assigns the Issuer Credit Rating ("ICR") of MSB at '**A**' with a "**Stable**" rating outlook, reflecting the expectation that the Bank's credit profile will remain stable over the next 12 to 24 months. MSB's credit profile is underpinned by a relatively solid business foundation supported by its long-standing operating history, capital buffers above the industry average, and stable profitability. The Bank has also demonstrated improvements in bad debt resolution and has implemented an appropriate risk management system, which is tailored to its customer profile, and, in addition, MSB has maintained a diversified funding access ability as well as an adequate liquidity position.

Nevertheless, FiinRatings notes that certain pressures on the Bank's asset quality currently stem from Problematic assets. Meanwhile, MSB's core customer segments, which consist of small and medium-sized enterprises (SMEs) and retail clients, are considered more susceptible to adverse economic developments, given the continued macroeconomic volatility expected over the next two years.

The "Stable" rating outlook reflects FiinRatings' expectation that, over the next 12 to 24 months, MSB will continue to strengthen its risk management and resolution capabilities, in addition to progressively address its outstanding Problematic assets (including non-performing loans (NPLs), special mention loans, restructured loans, receivables of credit nature, and VAMC bonds), while maintaining sound credit quality in the SME and retail customer segments. The financial health of these customer segments is also expected to improve, supported by government-led growth stimulus measures and a stable macroeconomic environment during the 2025–2026 period.

FiinRatings has assigned an anchor of 'a-' for the Vietnamese banking sector, reflecting our assessment of the risks posed by the macroeconomic environment and industry-specific risks faced by banks operating in Vietnam. Overall, the credit outlook for Vietnamese commercial banks is expected to remain stable, supported by ongoing government policy measures and expectations of a medium-term economic recovery, despite short-term challenges. The stand-alone credit profiles of Vietnamese banks are also expected to remain relatively stable; despite rising divergence in asset quality, which in turns impacts the capital quality and earnings profiles.

FiinRatings assesses MSB's business position as "Adequate", reflecting its relatively solid operating capacity supported by a long development history, a diversified revenue base, and a continuously expanding customer base. These factors have reinforced MSB's standing among mid-sized private commercial banks and its classification as a systemically important credit institution.

During the period 2020–2024, MSB enhanced its competitiveness in the small and medium-sized enterprise (SME) lending segment, thereby significantly expanding its customer base and reinforcing its market position. This is demonstrated by the Bank's sustained standing and gradual market share growth over the past five years. By the end of 2024, MSB's market shares for Total assets, Customer deposits, and Gross customer loans reached 1.6%, 1.2%, and 1.3%, respectively, increased from 1.5%, 1.0%, and 1.0% in 2020.

In 2024, the Bank maintained a high credit growth rate of 18.3%, outperforming the industry average of 15.1%, driven primarily by the large corporate segment (+27.2%) and the SME segment (+18.5%). In the retail lending segment, MSB recorded a more modest growth of 11.8%, with the main growth momentum expected to continue coming from mortgage products, which currently account for 45% of total retail loans, alongside the expansion of consumer lending activities, representing approximately 24% of the retail loan portfolio. For the 2025-2026 period, FiinRatings expects MSB's credit growth to reach around 19.5%, primarily driven by the retail and large corporate segments, while SME lending may decelerate due to weakening demand caused by macroeconomic volatility and reciprocal tariff policies impacting exports.

In addition, MSB has also demonstrated income diversification, with total non-interest income recording strong growth over the past three years; it accounts for 28% of total operating income in 2024 and is on par with the industry median. The majority of the Bank's non-interest income comes from foreign exchange (FX) activities, which contributed 27% of non-interest income in 2024 (2023: 35%, 2022: 42%). FiinRatings expects FX-related non-interest income to continue playing a significant role in MSB's income structure during 2025–2026, in line with the Bank's strategic direction.

FiinRatings assesses MSB's Capital and Earnings profile as "Strong"; this serves as a key credit strength for the Bank's overall credit profile. This reflects a robust capital buffer that is expected to be sustained, supported by profitability that remains above the industry average.

In terms of capital profile, FiinRatings assesses that MSB maintains a relatively high capital adequacy ratio (CAR) compared to the industry median, with limited reliance on Tier 2 capital and a low leverage ratio. As of December 31, 2024, MSB's CAR stood at 12.4%, slightly declined from 12.8% at end-2023 but was still above the industry median of 11.9%. Over the past five years, MSB has consistently maintained a Tier 1 capital ratio that exceeds 100%, indicating a solid capital base with minimal dependence on Tier 2 capital. Additionally, MSB's leverage ratio, which is measured as total assets divided by equity, has steadily declined from 10.6x in 2019 to 8.0x in 2023, before slightly increasing to 8.7x in 2024; this figure is still significantly below the industry median of 12.1x. FiinRatings believes that MSB's capital buffer is not under material pressure at present, as the Bank has no plan to pay cash dividends while earnings continue to grow steadily, supported by strong credit expansion. Based on

these factors, FiinRatings expects MSB to maintain a stable CAR in the range of 12%–13%, with a continued high Tier 1 capital ratio and a leverage ratio that gradually declines and stabilizes around 8.2x during the 2025–2026 period.

In terms of earnings, MSB is assessed to have maintained profitability and net interest margins (NIM) consistently above the industry average over the past several years. Its strong margins are primarily driven by: (i) favorable lending yields in the SME, mortgage, and medium-to-long-term loan segments, and (ii) low funding costs. Despite downward pressure on lending rates since 2022 due to intensified industry competition, the Bank continued to outperform the sector median, posting a NIM of 3.7% and a return on assets (ROA) of 1.9% in 2024, compared to the industry medians of 3.3% and 1.3%, respectively. In addition, MSB has improved its operating efficiency in recent years, with its cost-to-income ratio (CIR) declining significantly from 63.6% in 2017 to 36.8% in 2024, nearly aligned with the industry median of 37.5%. In FiinRatings' base-case scenario, MSB's NIM is expected to slightly decline to around 3.5%, while its CIR is projected to continue improving and remain stable at around 36.5% over the 2025-2026 period.

MSB's risk position is assessed as "Adequate", reflecting our view that the Bank is implementing a relatively effective risk management aligned with its target customer segments. The Bank has also shown certain improvements in its risk resolution, with a proven track record of resolving and recovering bad debts in the past. Over the next two years, we expect MSB to maintain sound credit quality control and make continued progress in addressing outstanding Problematic assets.

The Bank's adjusted non-performing loan (NPL) ratio (including NPLs and VAMC bonds) increased significantly from 1.7% at the end of 2022 to 2.9% at the end of 2023, primarily due to the deterioration in the financial health of SME customers and Mass Affluent retail clients amid unfavourable macroeconomic conditions. This trend partly reflects the broader industry movement, as the median NPL ratio of the banking industry also increased from 1.9% in 2022 to 2.1% in 2023 and further to 2.4% in 2024. However, through the Bank's strategy of accelerating credit growth, enhancing debt recovery, tightening risk control, and utilising provisions for bad debt resolution, MSB has gradually improved its asset quality. By the end of Q1/2025, the NPL ratio declined to 2.6%, approaching the industry median of 2.5%. The problem loan ratio (including NPLs, VAMC bonds, and special mention loans) also fell from 4.6% at the end of 2023 to 3.8%, close to the industry median of 3.7%.

In addition, MSB has proactively reduced the loan exposure to SME segments potentially affected by the U.S. reciprocal tariff policy, with the proportion of such loans decreasing from 2.0% at end-2024 to 1.1% by the end of Q1/2025. However, in the context of ongoing macroeconomic uncertainty, FiinRatings notes that MSB's continued pursuit of high credit growth may pose additional pressure on asset quality. As such, the recovery trajectory and resilience of the Bank's SME and retail customer base will remain key monitoring factors in our upcoming surveillance.

FiinRatings assesses that MSB is exposed to a certain level of concentration risk related to the real estate sector. As of end-2024, loans for real estate business accounted for 9.7%, and loans for construction and construction materials made up 16.5% of MSB's total loan portfolio. Nevertheless, the NPL ratios for large corporate clients as well as real estate businesses remained low, at 0.3% and 0.5% respectively, at the end of 2024, indicating that the Bank has been effective in managing borrowers' debt repayment capacity. FiinRatings recognises that MSB's risk management system is suitable for its customers, with credit controls effectively enforced.

MSB has also demonstrated notable experience and capacity in NPL resolution, having completed the full write-off of all VAMC bonds in 2020, and fully resolved problematic assets related to the Vinashin incident in 2024 (including foreclosed properties and receivables associated with asset recovery activities). The Bank's NPL reserve coverage and problematic loans reserve coverage (including NPLs, VAMC bonds, and Group 2 loans) are currently maintained at adequate levels, standing at 59.6% and 40.1%, respectively - approximately in line with the industry medians of 59.4% and 38.8% as of the end of Q1/2025.

However, FiinRatings assesses that MSB remains exposed to certain asset quality risks stemming from restructured loans and receivables of credit nature. As of end-Q1/2025, these exposures accounted for 0.6% (excluding restructured loans to Vietnam Airlines) and 2.1% of the total loan portfolio, respectively. Consequently, the ratio of Problematic assets (including NPLs, special mention loans, restructured loans, receivables of credit nature, and VAMC bonds) increased to 6.5%, markedly higher than the industry average of 4.7%.

In our base case scenario projection, assuming a stable domestic macroeconomic environment, effective implementation of the Government's growth-supporting policies, and MSB's continued credit expansion alongside enhanced risk management, proactive resolution of Problematic assets, and close oversight of loan portfolio quality, FiinRatings expects that the Bank's ratio of Problematic assets to gross customer loans will decline slightly, falling below 6% by end-2025 and further improving to under 5% by end-2026.

MSB's funding and liquidity position is assessed as "Adequate," reflecting its ability to access a diverse range of funding sources at reasonable costs, along with a relatively stable liquidity position.

In recent years, MSB has actively expanded its medium- and long-term funding sources through borrowings from international financial institutions and the issuance of long-term certificates of deposit (CDs), aiming to enhance the stability of its funding structure. As of Q1/2025, the Bank has successfully secured significant limits from reputable international institutions, such as FMO (Netherlands), Proparco (France), and OFID (OPEC Fund). These loans are characterized by long maturities (up to 9 years), large-scale disbursements, and alignment with sustainable development goals, which are consistent with MSB's business model that focused on SMEs and green credit. The Bank has also scaled up the issuance of CDs with maturities from 1 to 5 years, with outstanding balances increasing from VND 2,091 billion (2023) to VND 4,411 billion (2024), and further to VND 5,089 billion in Q1/2025. In addition, MSB's cost of funds has remained competitive among joint-stock commercial banks, reaching 3.3% at the end of 2024 - comparable to that of leading private banks - primarily supported by a CASA ratio of 26.4%, which is significantly above the industry median of 12.2%.

However, we also note that MSB has maintained a relatively high reliance on wholesale funding, which accounted for approximately 40% of total liabilities during the 2019–2024 period - significantly above the industry median of 20–30%. Meanwhile, deposit growth has lagged behind the expansion in gross loans and off-balance sheet commitments, resulting in a stable funding ratio of only 91.8% as of end-2024, slightly below the industry median figure of 98.5%.

Although MSB's funding structure presents certain limitations, its liquidity profile remains adequate. The ratio of broad liquid assets to short-term wholesale funding has remained consistently above 100% over the past five years, even during periods of declining stable funding ratio, which reached the lowest point of 79.6% in Q1/2021. By end-2024, the broad liquid asset ratio had improved to 115.5%, broadly in line with the sector median of 120.6%, after a temporary decline to 110.9% at end-2023 (2022: 125.3%). FiinRatings recognises MSB's active role as a Market maker in the government bond market as a positive factor. The Bank's Broad liquid assets

portfolio plays a critical role in its liquidity management, as government bonds are eligible collateral for various transactions such as interbank borrowings, issuance of valuable papers, or securing credit lines with the State Bank of Vietnam. Accordingly, FiinRatings expects that MSB will be able to manage any existing liquidity pressure over the next 12–24 months, even under more adverse conditions in our stress test, which includes a combination of deposit withdrawals and limited access to interbank funding.

Rating Outlook

The "Stable" outlook reflects FiinRatings' assessment that MSB will maintain its ability to meet the issuer's obligations over the next 12-24 months.

Upgrade Scenario: Factors that could, individually or collectively, lead to review for positive rating action or upgrade for MSB:

- The Bank's business position improves materially, supported by strong growth in Customer deposit and Gross customer loan market shares, and reaches levels comparable to those of leading privately owned commercial banks who currently outperforming the industry average;
- MSB's capital buffer continues to strengthen, as reflected in a significantly improved Capital adequacy ratio ranking among the highest in the sector, while its profitability remains above the industry average.

Downgrade Scenario: Factors that could, individually or collectively, lead to review for negative rating action or downgrade:

- MSB's risk Position deteriorates significantly, as reflected in: (i) prolonged asset quality deterioration, with the ratio of Problematic assets (including NPLs, special mention loans, VAMC bonds and receivables of credit nature) remaining elevated at around 7% of Gross customer loans; and (ii) the Bank's prudent provisioning policy not being sustained, as evidenced by an NPL reserve coverage ratio materially below the sector average.
- The capital buffer becomes insufficient to support credit expansion, resulting in a substantial decline in the Capital adequacy ratio, while profitability metrics, particularly NIM, are adversely affected under unfavorable market conditions; and/or
- The funding structure shows a much higher reliance on wholesale funding, while the capacity to meet liquidity pressures has notably declined.

RATING METHODOLOGY

The rating methodology explains FiinRatings approach to assessing credit risk of companies in Vietnam. This methodology is intended as a general guidance to help companies, investors, and other market participants to understand how FiinRatings looks at quantitative and qualitative factors significant in explaining rating outcomes in general and specific for each sector that we cover.

In addition, certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please follow the link below for the Rating Methodology and Related Criteria:

- Rating methodology for banks in Vietnam

Or refer to the following link for more details on the general ranking methodology:

- General Rating methodology

CREDIT RATING HISTORY

Vietnam Maritime Commercial Joint Stock Bank ("MSB")				
Credit Rating Type	**Date**	**Rating**	**Outlook**	**Link to Report**
Initial - Issuer Credit Rating	18 June 2025	A	Stable	Report

Recent Research

FiinRatings: Banking's Sector Spotlight (Latest Edition)

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