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Banks

Credit growth slowly coming back in May

Credit growth slowing coming back in preliminary May data in post-COVID-19 Vietnam

— The State Bank of Vietnam recently revealed that the banks had logged 1.2% credit growth for the year until mid-May vs the 0.8% figure for the middle of April. As year-to-date credit growth reached 1.4% growth by the end of April, this data point bodes well for the recovery in credit growth after results are tallied for the full month of May. Run rates for year-to-date credit growth this year have been: January 0.1%, February 0.2%, March 1.3% and April 1.4%. This compares to 2019's YTD growth of: January 1.9%, February 1.1%, March 3.1%, April 4.5% and May 5.8%. Given worsening credit conditions, overall credit growth in 1Q slowed to minus 0.1% at the large listed state-owned banks (excluding Agribank) vs 2.9% in 2019 and 1.7% at the joint-stock banks vs 8.5% during the same quarter last year.

The State Bank of Vietnam has already submitted request to PM to boost credit caps

— The central bank submitted a proposal to the Prime Minister's office on May 9 to increase the annual credit cap at the banks as part of economic support measures. This proposal aims to boost the credit caps above the amounts considered at the beginning of the year due to the coronavirus. Banks which have met Basel II requirements may be given an additional two- to three-percentage points of credit cap by 3Q during the high season for loan growth. Given the early signs of recovery in credit growth and additional room for credit expansion, earnings momentum will likely accelerate for the banks in the second half of 2020E.

Banks still need to feel comfortable with the lending environment for the plan to work

— Not only the nationwide lockdown but the deterioration in the credit environment has also played a large role in the abrupt slowdown in credit growth. This makes any pickup in lending activities at the banks critical to success. In this regard, the State Bank of Vietnam will likely keep a close watch on the loan-to-deposit ratios and ratio of short-term funding to medium- and long-term lending activities to ensure the integrity of the overall credit environment and reduce the risk of excessive lending.



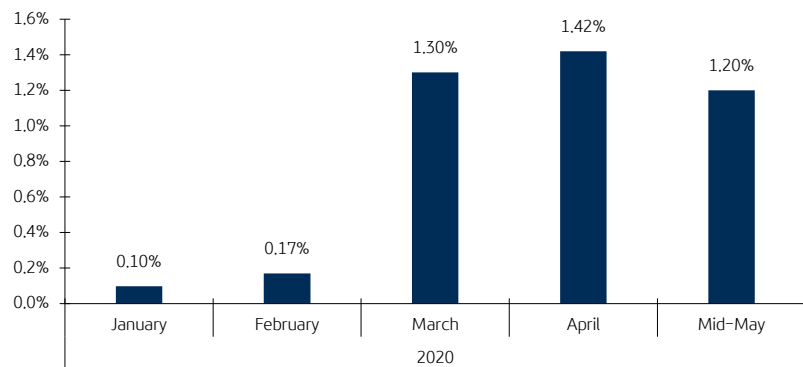
Actual 1Q20 credit growth run rates
undershoot full-year quotas by a large margin

Table 1. Vietnam banks – Credit growth & annual credit quotas, 2019–1Q20 (% YoY)

Ticker	Current 2020E quota	Actual 2019 credit growth	1Q20 credit growth
VCB	10.00%	15.90%	2.1%
BID	9.00%	12.60%	5.9%
CTG	8.50%	7.30%	6.9%
TCB	13.00%	17.00%	-1.6%
ACB	11.75%	16.60%	1.1%
VPB	13.00%	17.90%	13.9%
LPB	10.50%	17.60%	3.0%
MBB	11.75%	15.80%	-1.8%
VIB	10.50%	31.10%	7.8%
TPB	11.50%	17.00%	13.6%
HDB	11.00%	19.60%	-0.3%

Source: State Bank of Vietnam, Company reports, KB Securities Vietnam

Fig 1. Vietnam banks – YTD credit growth, Jan 20–mid-May 20, (%)



Source: State Bank of Vietnam, KB Securities Vietnam

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Investment ratings & definitions

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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