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Banks

Credit growth picks up in first half of November

Credit growth speeds up in the first two weeks of November

- The State Bank of Vietnam recently revealed that the banks had logged 7.3% credit growth for the year until mid-November (of 10.28% for same period in 2019), equivalent to a credit balance up by VND 8,790 trillion. Thus, in the first half of November, credit rose by 1% (up nearly VND 90 trillion) compared to the end of October. Credit rebound reflects our previous expectations as leading indicators such as IIP, PMI and retail sales all increased in October amid a well-controlled Covid-19 epidemic in Vietnam.
- Data from commercial banks' financial statements, by the end of 3Q2020, credit growth of listed banks reached 7.5% YTD, of which of SOE banks (excluding Agribank) grew marginally (up 1.1% QoQ, 3.6% YTD) and JSC banks were up significantly (4.9% QoQ, 12.5% YTD). Banks such as TPB, VIB, LPB, HDB and ACB saw strong growth in loans to customers while growth in corporate bonds contributed significantly to 9-month credit growth in many banks such as TCB, VPB, and MBB. The 9-month credit growth at many JSC banks has exceeded the limit set SBV at the beginning of the year, thus SBV extended credit growth limit in 3Q2020 (Table 2).

2020 credit growth is expected to reach 9 - 10%

- We maintain our forecast of 2020 credit growth posting at 9 -10%, equivalent to an increase of VND 180 trillion for the remaining of the year. Banks such as HDB, TPB are currently applying for further extensions in credit limits and SBV is likely to approve that request in 4Q.

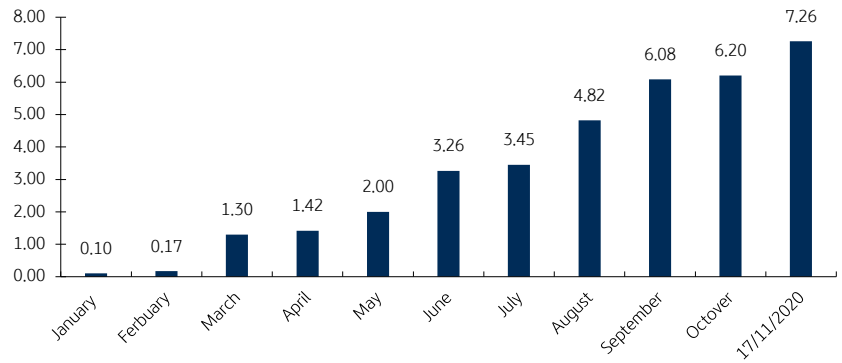
Policy rates are likely to cut for the fourth time

- Signals of a cooling down inflation in the short term (lower pork prices, low gasoline prices) help us to raise the possibility that SBV will continue to take action to cut the policy rates for the fourth time in the year in an effort to achieve economic growth goals. As a result, the deposit interest rate level will remain low, helping banks' NIM to continue to be improved.



Fig 1. Vietnam – YTD credit growth rate, Jan 20 – Nov 20 (%)

Credits speed up in first half of November



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 2. Vietnam banks – Credit growth and annual credit quotas, 2019 – 3Q2020 (%)

Actual 3Q20 credit growth exceeds initial full-year quotas by a large margin

Ticker	New 2020 credit quota	Initial 2020 credit quota	Actual 2019 credit growth	3Q credit growth
ACB	14.75	11.75	16.6	10.68
VCB	10	10	15.9	6.57
VPB	21	13	17.9	16.50
MBB	21.5	11.75	15.8	11.83
TCB	23	13	17	9.17
CTG	8.5	8.5	7.3	2.54
BID	9	9	12.6	2.55
HDB	20	11	19.6	14.92

Source: Banks, 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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