

Credit growth

Credit grew strongly in October

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- According to the State Bank of Vietnam, as of October 29, 2021, credit growth of the whole economy hit VND9,994,371 billion (up 8.72% YTD vs. 6.48% YTD over the same period in 2020). In particular, credit growth in Hanoi reached VND2,433,000 billion (+1% MoM, +10.4% YTD). This reflects the recovery of the economy after the reopening, with manufacturing indexes IIP, PMI and retail sales all increasing in October (Figure 2 and 3).
- According to the financial statements of commercial banks, by the end of 3Q, credit growth of listed banks was 7.7% YTD, of which State-owned Commercial Banks (except for Agribank) and Joint Stock Commercial Banks (JSCBs) all recorded positive growth, reaching 7.8% YTD and 8.8% YTD respectively. Some commercial banks with good loan growth in 9M21 include Techcombank (TCB), Tien Phong Commercial Bank (TPB), Vietnam International Commercial Bank (VIB), Lien Viet Post Commercial Bank (LPB), Military Commercial Bank (MBB) and Vietnam Maritime Commercial Bank (MSB). Notably, the growth of corporate bonds greatly contributed to the 9M21 credit growth of many banks such as TCB, Vietnam Prosperity Commercial Bank (VPB), MBB, and TPB. In 9M21, most JSCBs have approached their credit growth caps for this year approved by the SBV in 3Q (Table 1).

We raise our credit growth forecast in 2021 to 12% from 10% (in the 4Q21 Macro outlook report)

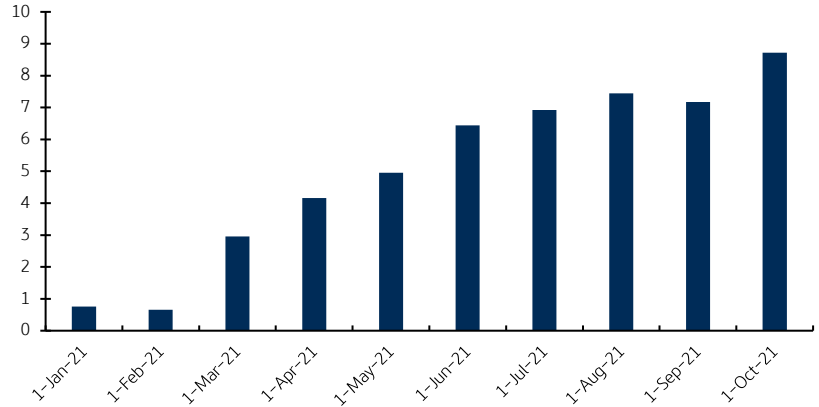
- With accelerated vaccination program in major cities, the pandemic is gradually under control, social distancing regulations are gradually lifted and less likely to be tightened again, capital demand will soon recover, corresponding to the recovery in the production and consumption sectors.
- 3Q financial report shows that the asset quality of commercial banks was not much affected by the 3Q social distancing, which is the basis for the SBV to soon grant more credit room to banks with good asset quality and capital adequacy ratio.

We believe that low interest rates will remain in the last two months of the year

- Although the SBV's supportive monetary policy will continue to be maintained with low operating interest rates, and the credit room is expected to be eased in the near future, it is less likely for interest rates to continue to be reduced in the context of existing inflationary pressures. Moreover, the risk of bad debt increasing in the next few quarters as loans gradually mature may cause commercial banks to maintain a high net interest margin (NIM) to make room for provisions, thereby lending rates are unlikely to be further cut.

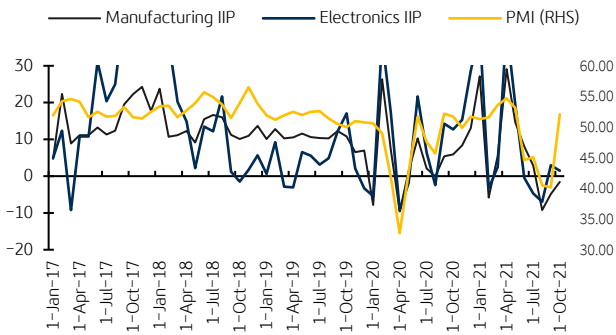
Fig 1. Vietnam – 10M21 credit growth (%YTD)

As of October 29, 2021, the credit growth in Vietnam reached VND9,994,371 billion, up 8.72% YTD



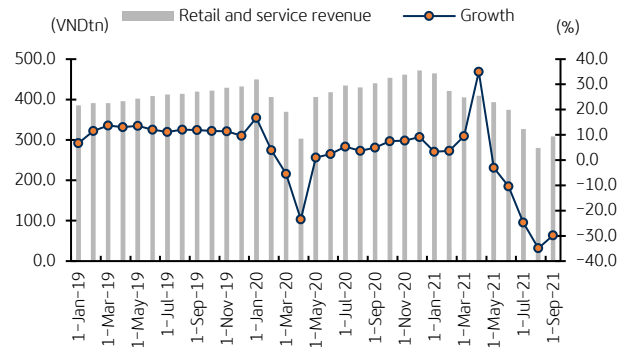
Source: State Bank of Vietnam, KB Securities Vietnam

Fig 2. Vietnam – IIP & PMI



Source: General Statistics Office, IHS Markit, KB Securities Vietnam

Fig 3. Vietnam – Total retail and service sales (VNDbn, %)



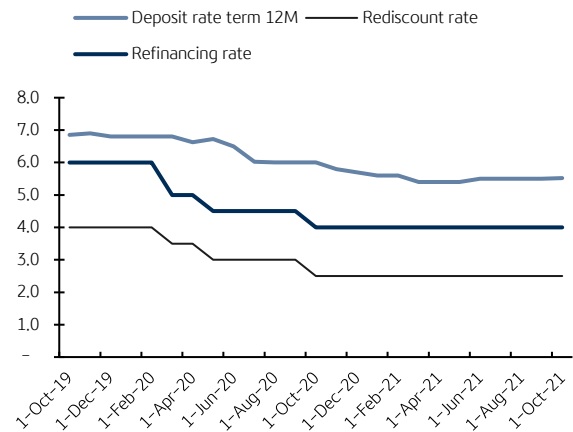
Source: Finpro, KB Securities Vietnam

Table 1. Vietnam – Credit quotas & 9M21 credit growth (%YTD)

Ticker	Initial 2021 credit quota	New 2021 credit quota	9M credit growth
ACB	9.5	13.1	8.0
CTG	7.5	9.5	6.4
LPB	8.5	13.1	10.7
MBB	10.5	15	15.5
MSB	10.5	16	17.0
SHB	6.5	10.5	9.2
TCB	12	17.1	17.0
TPB	10.5	17.4	11.6
VCB	10	14	9.9
VIB	8.5	14.1	10.9
VPB	8.5	12.1	7.9

Source: Banks, KB Securities Vietnam

Fig 4. Vietnam – 10M21 deposit rates, 12-month term (%)



Source: KB Securities Vietnam

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(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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