

New LDR Rules

SBV acts to improve health of banking system

State Bank of Vietnam (SBV) tightens rules on state-owned commercial banks but relaxes prudential ratios for private-sector commercial banks

- The central bank will apply an 85% loan-to-deposit ratios (LDRs) to all of Vietnam's commercial banks from January 1, 2020 according to Circular 22/2019 / NHNN. This compares with the 90% maximum for state-owned banks and the 80% for joint-stock commercial banks, joint-venture banks & foreign banks with 100% foreign capital. Thus, the SBV is effectively relaxing standards for the private-sector banks & tightening measures on the state-owned lenders

Raising LDRs to 85% for all banks reflects SBV's more objective assessment of the credit activities of private-sector commercial banks

- Total outstanding loans will not likely be impacted meaningfully from this regulatory change given the rule change merely shifts the loan caps in favor of the private-sector banks at the expense of the state-owned banks
- Among the state-owned lenders, we expect the circular will most significantly impact BID and CTG given their inability to meet Basel 2 capital adequacy standards and LDRs already close to the new regulatory limit set in Circular 36. LDRs were at 84.0% for BID & 85.5% for CTG in 1H2019 (vs 83.4% & 84.0% at the end of 2018), with the new LDR cap – and shortfall in regulatory capital to meet Basel 2 requirements – likely to give both lenders limited ability to expand credit in 2020
- Main beneficiaries should be the private-sector banks that have met the Basel 2 requirements and the relaxation of regulatory LDRs should provide more opportunities for further credit expansion at ACB, MBB, HDB & TPB in 2020E

No changes to our forecasts & maintain credit & M2 growth forecasts for 2020E

- We continue to estimate credit and M2 growth in 2020E at 14% and 13%, respectively, which would also be at similar levels we expect for full-year 2019E.

Table 1. Vietnam Commercial Banks – Capital adequacy ratios & loan-to-deposit ratios, 2016-1H2019 (percent)

Bank	Ticker	Capital adequacy ratio (%)	Loan-to-deposit ratios (%)			
		2018	2016	2017	2018	1H2019
BIDV	BID	8.3	81.00	80.56	83.43	83.99
VietinBank	CTG	8.1	91.94	92.42	84.91	85.54
VietcomBank	VCB	9.1	65.48	57.84	64.59	68.85
Asia Commercial Bank	ACB	9	77.15	75.37	76.31	78.33
Military Bank	MBB	9.6	69.35	69.39	71.11	72.86
Techcombank	TCB	11.9	74.69	77.37	85.43	84.01
VPBank	VPB	11.2	78.42	82.72	83.16	85.87
HDBank	HDB	10.1	65.49	65.63	68.53	78.46
TPBank	TPB	10.2	46.97	49.03	60.07	72.75
VIB	VIB	10.8	71.33	76.37	80.40	80.35
State-owned commercial banks			79.81	76.81	78.16	79.92
Private-sector commercial banks			70.68	72.10	75.94	79.26

Source: Company reports, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh
binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh
anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh
trinhttv@kbsec.com.vn

Market Strategist – Le Anh Tung
tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu
hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung
tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong
conglt@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen
huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim
harrison.kim@kbfsg.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung
dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh
danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh
vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin
shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

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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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