



BANKING SECTOR REPORT

New credit growth limit's impact on the banking system

Sector Rating: Neutral (Maintained)

09/ 2022

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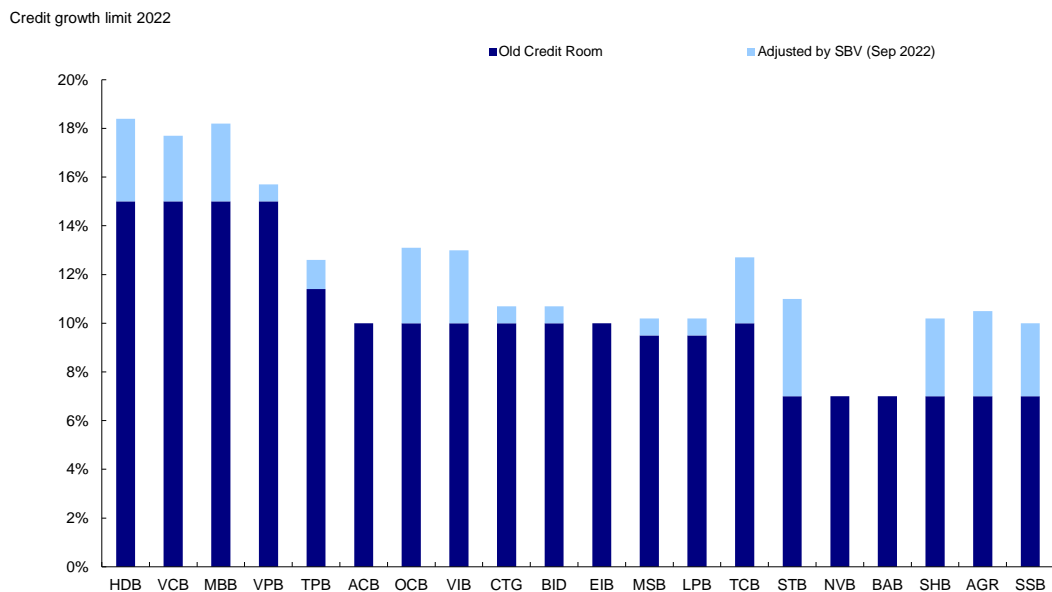


KEY POINTS

- ❑ On Sep 07, 2022, the State Bank of Vietnam (SBV) announced adjustments to credit growth targets for banks in 2022. According to SBV, the adjustment of credit growth targets is made on the basis of the request of credit institutions to assess their operational requirements. The decision helps cool down the credit thirst of the economics business and banks can expand their credit scale since they had used full room from the end of Q2.
- ❑ 15 banks received higher rooms. New limits contribute banks to fulfilling their full-year profit target.
- ❑ Can expect one more credit expansion decision from SBV given the total credit growth impact in the system estimated at around 2%.
There is 2% remaining room for the 14% growth target for the full year.
- ❑ Banks without new rooms face a gloomy profit picture in 2H and they have to restructure their lending portfolios to optimize profit.
Otherwise, they can expect a higher room at the 2nd time adjustment from SBV (if any).



Which bank benefit?



Source: banks, GTJAVN

- ✓ Top- quality private commercial banks received a more favorable room (MBB +2.7%, TCB +2.7%, HDB +3.4%). The mid-scale banks owning high growing room as we mentioned before received +3% room (VIB, OCB).
- ✓ Exempt for VCB received +2.7% new room given a favored policy for banks participating in restructuring credit institutions under special, other SOBs (CTG, BID) had been lifted the room for only 0.7%.
- ✓ Despite receiving a higher growth limit, the total room of each bank is now still quite low compared to their target set from the beginning of the year. That raises the question of whether banks meet their profit target this year.



Diverged possibility to achieve the full -year profit target

Ticker	PBT growth 2022	Credit growth 2022	%PBT 1H/target 2022	Expected 2H2022 PBT growth to meet full year target
BID	52%	12%-14%	54%	73%
CTG	15%	10%-14%	57%	28%
VCB	>12%	12%	57%	-4%
STB	20%		55%	20%
MBB	23%	25%	59%	-1%
SHB	87%		50%	91%
ACB	25%		60%	6%
VPB	107%	35%	52%	171%
TCB	16%	15%	52%	10%
LPB	32%		75%	-24%
HDB	21%	20%-25%	54%	15%
VIB	31%	30%	48%	35%
TPB	36%	18%	46%	46%
SSB	48%		58%	19%
EIB	107%		76%	-9%
OCB	29%	20%-25%	24%	88%
MSB	34%	20%	49%	77%
BAB			49%	-3%
NVB			824%	-86%

Source: banks, GTJAVN

A positive impact on banks' profit in 2H but not too large.

From the table on the left, we see that many banks need a very high-profit growth in 2H (yoy) to achieve the full-year target. A notable point is that banks record a very low base in Q3 and Q4 last year due to the Covid outbreak. Therefore, banks still meet their plan and record high growth in 2H.

Banks having the highest possibility to achieve targets are CTG, VCB, TCB, ACB, and LPB. On the other hand, OCB reported negative results in 1H due to its deteriorated non-interest income making it a low possibility to achieve the year-end target.

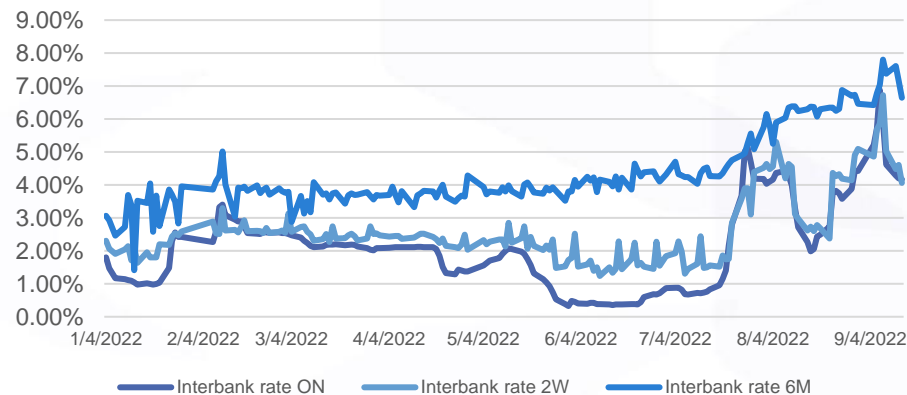


**Room for a second
credit adjustment
from SBV at the end of
the year**

New room for 15 banks according to the SBV's decision contributes to around a 2% increase in the total system's credit growth. By the end of August, Vietnam recorded nearly 10%ytd credit growth. Therefore, there is 2% remaining room for the full-year growth target of 14%.

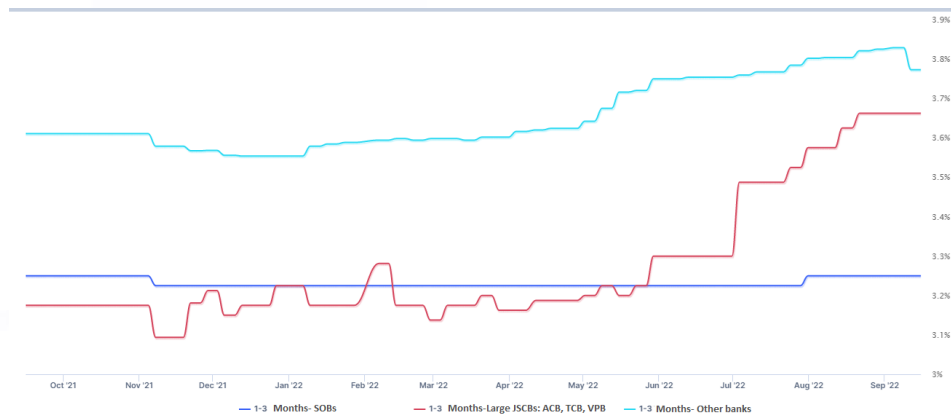


Interbank rate surged, breaking many years' record high after the decision



Source: Fiinpro, GTJAVN

Short-term deposit rate of banks



Source: Wichart, GTJAVN

Following the decision of SBV, the interbank lending interest rates in Vietnam have reached a 10-year peak. This movement can be explained that many banks need funding to disburse new customers when scaling up the lending book and ensuring capital adequacy requirements. The overnight interbank lending rates climbed up to 6.88% per annum, the highest since September 2012.

Deposit rate hike pressure is higher at banks demanding more funding resources. In this case, this is the private bank group mainly.



Impact on the economy and the banking system:

From the above consideration, the credit growth limit adjustment has the followings impact:

- ✓ Debottlenecking the credit to production and economic activities (SBV's guidance focuses on funding to manufacturing and consuming areas).
- ✓ A modest impact on the real estate sector due to a strict requirement on Short-term funding to Medium and long-term loans. Besides, public housing gets benefits from the above decision since it is one of the focusing sectors according to SBV's guidance and also in the sectors list to be supported following the 2% interest rate support package.
- ✓ Positive impact on banks' profit growth, but not too large given a moderate expanding limit. The banks that benefit the most are STB, HDB, MBB, TCB, VCB, VIB.
- ✓ Higher pressure on interbank and deposit rate (in the short-term). The main concern is deposit rate hikes on Banks' NIM.
- ✓ Given the above factors, we **maintain** the “**Neutral**” recommendation for Banking Sector.





COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable





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