

20 Jul 2020

Banking

Overweight (Maintain)

Banks see a brighter picture

2Q20 outcome is better than our expectation

- Last week, we had paid visits to some banks in Hanoi. In overall, they have a positive view about the recovery of local economy and industry in the coming quarters as compared to the previous months, which are thanks to 1) supportive policies by the Government, 2) a “new normal life” with virus-free, and 3) resilient domestic demand.
- They do not expect surges in NPL ratios in 2H20. In case the economy turns out to be more negative due to the pandemic situation globally, an extension of the Circular 01 is expected to rescue bank’s balance sheets.
- NIM is expected to be flat or decreased slightly in 2020F due to the lower lending rates of relief credit packages and restructured loans.
- Given uncertainty from the COVID-19, banks said that they are more defensive in expanding credit. They will focus on segments that are believed to be the least affected ones such as retail at VCB and CIB at MBB.

Resilient domestic demand

- In our flights from HCM to Hanoi and backward, we saw the crowded airports with many families traveling for their summer vacations. Local presses have reported that domestic tourism has posted a strong rebound and many tourism companies are fully booked until August. However, travel demand post - 2020 summer holiday season is still unsure due to the virus situation.
- In the meantime, the Prime Minister has required to speed up public investment in 2H20 with great efforts to improve the disbursement ratio from 35% in 1H20 to 100% until the end of 2020. In 2H20, local authorities have to report disbursement progress to the central Government and the Prime Minister once every 15 days.

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BID extends restructuring until 2021-2022

- According to BID's representatives, the bank has been in restructuring period with high credit provision. The restructuring schedule may last a bit longer to 2022-end due to COVID-19 from the previous 2021-end said in the initial plan.
- 2Q20 outcome may be not as severe as previous expectation.
- BID has been in progress to strengthen its Tier 1 and Tier 2 capital.

MBB posts 8% ytd credit growth in 6M20 thanks to CIB division

- MBB achieved a credit growth of ~8% in 1H20, mostly thanks to CIB division (Large Corporate & Investment Banking) while the bank was relatively conservative in expanding credit to SMEs and retail segment.
- However, for the longer-term horizon, MBB is still keen on retail division to improve NIM and non-interest income. The launch of MBB app and the recent marketing campaign have been successful in acquiring new retail clients. Currently, MBB's client base consists of ~4mn accounts.
- MCB is still in restructuring phase and has reduced the cash loan ratio from ~70-80% a year ago to ~30-40%.
- 2Q20 CASA ratio improved from 30% of 1Q20 but still below 34% of 4Q19.
- NPL ratio is controlled below the guidance level of 1.8% for this year.
- 1H20 consolidated TOI is estimated to increase by 12% yoy to VND13.5tn. PBT is estimated to increase by 5% yoy to ~VND5.1tn.

TCB sees no stress with stricter regulations on corporate bond issuance

- In the meeting, we focus on the impact of the recent regulations including Decree 81/2020 date 09 July 2020 on the amendments of Decree 163/2018 regulating the private issuance of corporate bond by Vietnamese companies (effective since 01st September 2020), New Enterprise Law 2020 date 17 June 2020 (effective since 01st January 2021) and New Securities Law 2019 date 26 November 2019 (effective since 01st January 2021) to TCB's business.
- Since the new regulations aim to tighten conditions for corporate bond offering to non-professional investors, TCB believes they may not suffer any negative impact but sees the opportunity to expand their market shares. The key reasons are that 1) companies offering corporate bonds via TCB are leading private corporates in Vietnam with good credit rating and strong financial positions, 2) TCB is well-prepared for bond public offerings, and 3) most of TCB's retail clients are eligible for the definition of professional investors.

VCB to end relief credit package in Sep 2020

- The bank's representatives shared that VCB finished the relief package to indirect impacted debtors in June 2020 and will close the remaining relief package to direct impacted debtors in September 2020.
- VCB is restructuring their loan book toward retail segment with mortgage and middle class is among the bank's focused products/customer segmentation. Meanwhile, VCB is rather conservative to accelerate credit for whole sales and SMEs segments.
- NIM is expected in downward trend in 2020-2021 as banks must cut lending rates to support the economy.
- One-off income from its exclusive banca agreement is expected to be booked in 4Q20. VCB has distributed FWD's products via its distribution network since April 2020. It revealed that the banca activities had a nice start in 2Q20 and overpassed the committed KPI.

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