

29 Sep 2020

Banking

Overweight (Maintain)

Tracking Circular 01

Extension of COVID-19 restructuring to be announced in Oct

- An amendment of Circular 01/2020/TT-NHNN on COVID-19 debt restructuring, exemption or reduction of interest and/or fees, and retention of debt category, may be finalized and announced soon in Oct 2020, cited by a SBV's representative in recent interview by Baodautu. Main change in the amendment is the extension of debts subjected for restructuring, that includes debts disbursed "in period from 23 Jan 2020 to 10 June 2020" vs. "in period from 20 Jan 2020 to 24 April 2020" in the previous draft version announced in May 2020, and vs. "before 23 Jan 2020" in the Cir.01. This provides credit institutions a leeway to assist severe impacted debtors and enables them to contain NPL ratio and credit cost in 2020 and 2021 at manageable levels.
- Besides, principle or interest obligation incurred "from 23 Jan 2020 to 31 Dec 2020" is eligible for restructuring.
- The reclassification of restructured loans unable to repay principal and/or interest was not mentioned. Since the economy has rallied resiliently, we think that the regulator may keep the existing frame and categorize overdue COVID-19 restructured loans as NPLs.

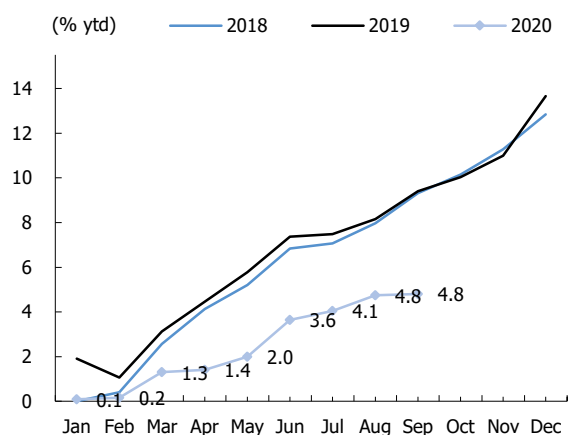
Restructured debts move up in 3Q20

- In 3Q20 Press Conference, SBV said that credit demand remained weak with a YTD growth of 4.81% while total means of payment (M2) increased by 7.58% as of mid-Sep. The whole system's on-balance-sheet NPL ratio moved up to 1.96% as of August-end from 1.86% in May 2020 and 1.63% in 2019-end. Real NPL ratio which includes VAMC bonds, other non-performing assets and doubtful assets was 4.48%.
- Total outstanding of COVID-19 impacted loans was VND2,270tn in mid-Sep, equivalent to 25% of country's credit, an increase of ~2 %p from April 2020. Total balance of loans having rescheduled payment terms based on Cir.01 reached VND321tn as of 14 Sep (~3.7% of country's credit), keep increasing from 2Q20.

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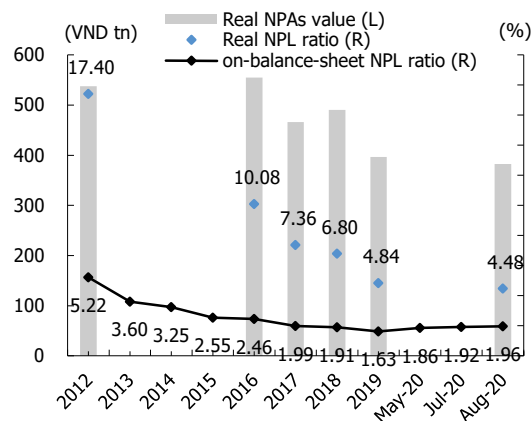
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Figure 1. Monthly credit growth in Vietnam



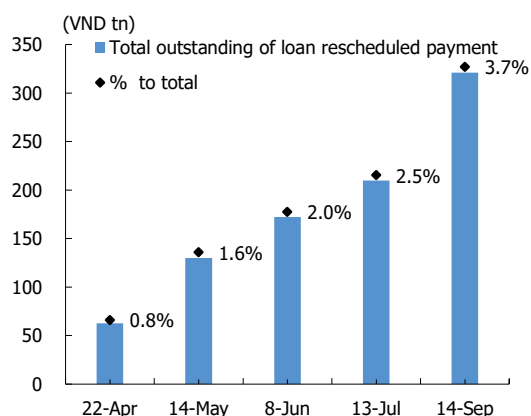
Note: as of 14 Sep 2020
Source: SBV, Local presses, KIS

Figure 2. System-wide NPL ratios



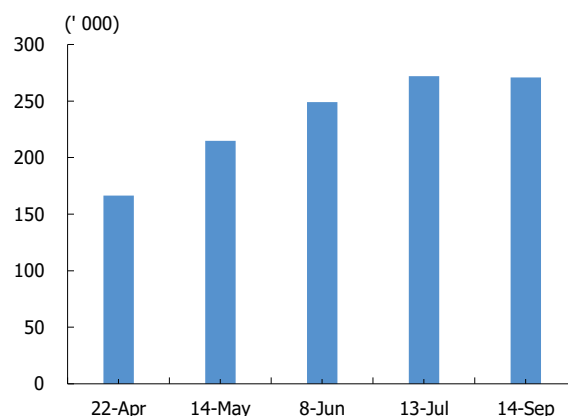
Source: SBV, Local presses, KIS

Figure 3. Loans rescheduled payment term under Cir.01



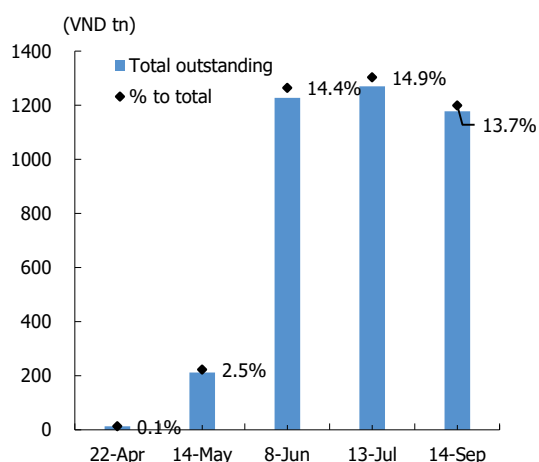
Source: SBV, Local presses, KIS

Figure 4. Number of clients accepted for loan restructuring/extension



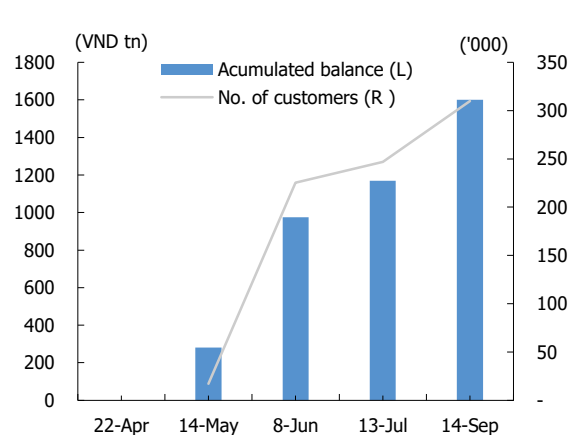
Source: SBV, Local presses, KIS

Figure 5. Loans received interest/fee waiver and/or reduction



Source: SBV, Local presses, KIS

Figure 6. Disbursement of relief credit packages since 23 Jan 2020



Source: SBV, Local presses, KIS

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