

24 Aug 2023

Banking

Non - rated

A blessing gift from SBV

Powering developers and homebuyers

- To fulfill the urge of the Prime Minister in minister meetings, the SBV rewards the attendees with the amendment cited in Circular 10/2023 on late 23 Aug.
- Circular 10 suspends the effectiveness of three sub-articles in Clause 8 (Circular 39/2016/TT-NHNN dated Dec, 2016) and in Clause 2 (Circular 06/2023/TT-NHNN dated Jun, 2023).
- The licensing process of real estate projects encompasses a wide variety range of procedures and documents that could be deemed bureaucratic and costly. The dispute between regulators/bankers/developers/homebuyers on the definition of what project is legally licensing is foreseen.
- By suspending three sub-articles 8,9,10, the SBV removes the metaphorical meaning and exposes the lenders to more discretion in setting the disbursement terms and conditions. We view this positively as the suspension could alleviate the pressure on small/mid developers who are vulnerable to a tight fundraising landscape.

Sparking the real estate credit growth

- In 1H23, loans to developers surged 17.4%YTD to VND910tn offset by the flattish homebuyer's mortgage loan growth (1H2023: -1.1%YTD). NPL of developer loans rose sharply from 1.54% in 2Q22 to 2.47% in 2Q23, still lower than 3.7% in 2018, per SBV.
- We expect Circular 10 could facilitate the loan growth to real estate sectors and benefit the developers and homebuyers.

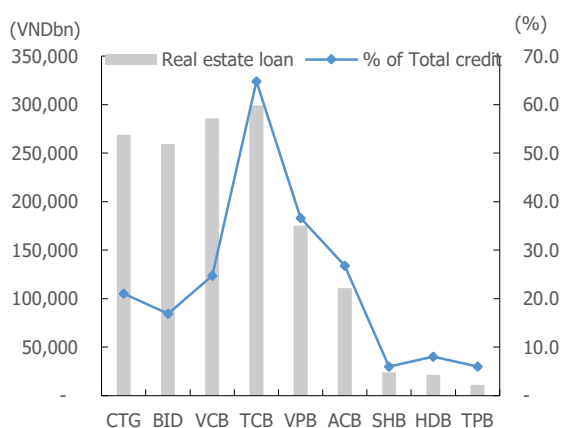
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Table 1: Main amendments in circular 10/2023/TT-NHNN

No	Main amendments	Circular 06/2023/TT-NHNN (amendment of Circular 39/2016/TT-NHNN) Article 8: Rejected Loan Demands Credit institutions shall not be allowed to approve the following loan demands:	Circular 10/2023/TT-NHNN	Effect
	Suspending the implementation of Clauses 8, 9 and 10, Article 8 of 39/2016/TT-NHNN	<p>8. Make capital contributions, acquisitions, and received share transfers: LLCs, partnerships, unlisted JSC, or those that have not been listed on the stock market or have not registered for trading on Upcom.</p> <p>9. Make capital contributions under capital contribution agreements, investment cooperation agreements, or BCCs to implement projects which do not satisfy commercial operations, regulated by laws at the time the credit institution decides to lend.</p> <p>10. Make financial reimbursement, except for: a) Expenses paid in advance by their own fund for business project implementation and arising less than 12 months up to date that credit institutions decide to lend; b) Expenses paid in advance by their own fund for business project implementation and paid expenses related to projects submitted to credit institutions for granted medium and long-term loans</p>	Suspending the implementation of Clauses 8, 9 and 10, Article 8 of 39/2016/TT-NHNN	The disbursement terms and conditions are entirely within the bank's discretion. The banks will judge what project could meet their risk appetite.

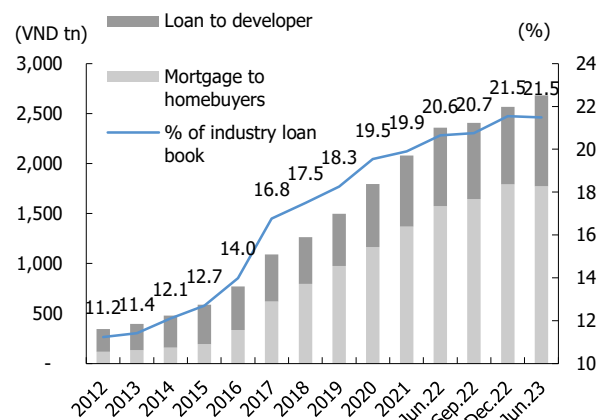
Source: SBV, KIS VN

Figure 1. SOCB accounted for major share of loan



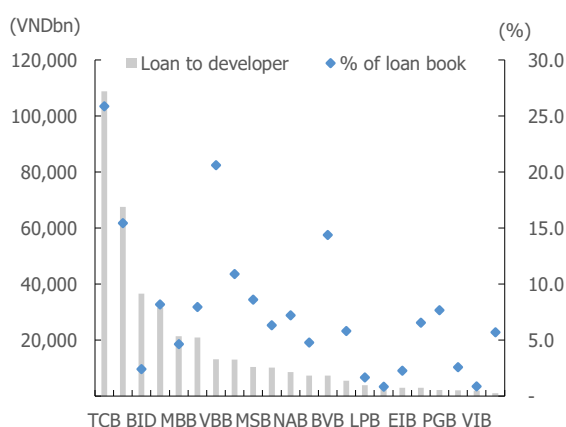
Source: FiinRatings, Banks, KIS VN

Figure 2. Loan to realtors sustained



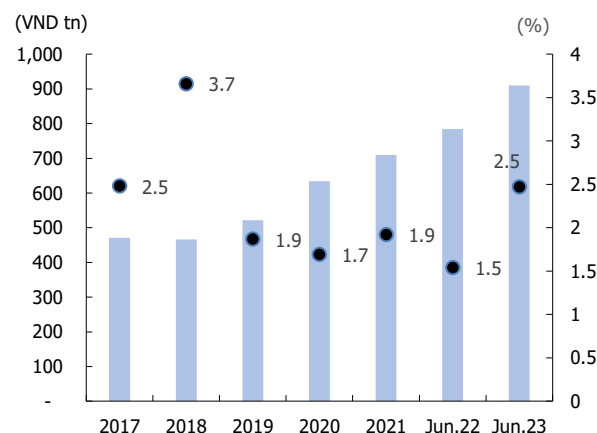
Source: SBV, Ministry of Construction

Figure 1. Real estate business



Source: Fiinpro, Banks, KIS VN

Figure 2. Developers' loan NPL surged abnormally



Source: SBV, Ministry of Construction

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