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BANKING INDUSTRY MAINTAINS ITS PILLAR ROLE OF THE ECONOMY

- Under the impact of storm No. 3, the quality of bank assets was affected when collateral assets were destroyed, while debt collection and asset handling encountered many obstacles.
- The State Bank of Vietnam has issued a draft Circular to support customers affected by storm No. 3, allowing banks to restructure loan repayment terms for up to 1 year.
- The draft Circular gives time for people and businesses to restore business cash flow, thereby supporting economic recovery and reducing the possibility of NPL formation in the future.
- We expect that if these credit packages are thoroughly applied, the banking industry would proactively reduce about VND 6,000 billion in Profit Before Tax, equivalent to a decrease of about 2% in Profit Before Tax in 2024 and mainly affecting the group of State-owned banks (VCB, BID, CTG & Agribank). PHS maintains positive view on banking industry outlook.

Typhoon Yagi passed but effects on the economy are still there

Typhoon Yagi (storm No.3) is considered the strongest storm in Vietnam during the past 70 years, causing damage across the country, especially in Quang Ninh, Hai Phong, Hanoi, Thai Nguyen, and Yen Bai. According to statistics from the State Bank of Vietnam (SBV), as of 25th September 2024, the total loans affected by the storm was VND 165 trillion (equivalent to 1.1% of the total credit of the economy) from more than 94,000 customers. After the storm, the quality of bank assets - which had already deteriorated severely due to the weakening economy - is expected to be further affected as many collateral assets were destroyed, while debt collection and asset handling faced obstacles under the impact of the storm.

Update key points in the Draft Circular

The SBV has issued a draft Circular to support customers affected by storm No. 3, allowing banks to restructure debt repayment terms for up to 1 year for affected borrowers. The draft Circular creates conditions for people and businesses to have more time to restore business cash flow, thereby, supporting economic recovery and reducing the possibility of NPL formation in the future.

Impact assessment on the banking industry

Responding to the Prime Minister's call to support people recovering from the storm, the banking system has issued interest rate reduction programs. According to statistics from the SBV, 32/40 banks have registered credit packages with a total amount of VND 405 trillion, with interest rates reduced by 0.5 - 2% to support businesses and people affected by storm No. 3. We expect that if these credit packages are thoroughly applied, the banking industry would proactively reduce Profit before taxes by a maximum of about VND 6,000 billion, equivalent to a relatively low reduction of only about 2% of Profit before taxes in 2024, and mainly affecting the group of State-owned banks (VCB, BID, CTG & Agribank). **PHS maintains positive view on banking industry outlook.**