

**Vietnam: Banks**

**1 April 2020**

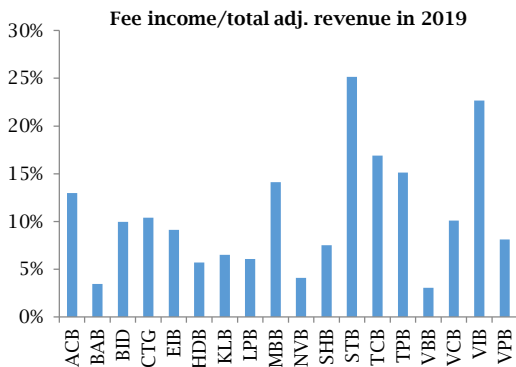
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
BID VN	SELL	32,650	37,300	17%
HDB VN	Hold-U/P	18,450	30,970	68%
MBB VN	BUY	14,050	28,694	109%
STB VN	BUY	7,810	14,049	80%
VCB VN	BUY	64,800	77,600	21%
VPB VN	BUY	16,900	25,530	51%

Source: Bloomberg, Yuanta Vietnam

Banks	ROE		PBR		Div. yield	
	2019	2020E	2019	2020E	2019	2020E
ACB	24.2%	22.8%	1.1x	0.9x	0.0%	5.5%
BID (*)	10.4%	10.9%	1.7x	1.6x	4.1%	3.1%
CTG	10.6%	13.7%	0.9x	0.8x	N/A	N/A
EIB	5.7%	5.8%	1.2x	1.1x	N/A	N/A
HDB (*)	19.4%	20.7%	0.9x	0.9x	0.9%	8.7%
LPB	9.8%	12.0%	0.5x	0.4x	N/A	N/A
MBB (*)	21.1%	21.6%	0.8x	0.7x	4.1%	5.4%
STB (*)	8.2%	8.6%	0.6x	0.5x	0.0%	0.7%
TCB	17.7%	17.7%	0.9x	0.8x	0.0%	0.0%
TPB	26.1%	25.6%	N/A	0.8x	N/A	N/A
VCB (*)	22.1%	19.5%	2.8x	2.4x	0.9%	1.6%
VIB	26.6%	26.8%	N/A	0.7x	N/A	7.6%
VPB (*)	21.0%	21.5%	1.0x	0.8x	0.0%	0.0%

Source: Bloomberg for non-covered companies, Yuanta Vietnam for covered companies (delinated with an asterisk).

Note: Our earnings and dividend assumptions for 2020E are under review.



Source: Fiinpro, Yuanta Vietnam

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**Bloomberg code: YUTA**

**SBV orders banks to cut fees and delay cash dividends**

**Event**

- On Mar 31, the State Bank of Vietnam (SBV) ordered the banks to cut settlement fees via the interbank electronic payment system effective for the period Apr 1-Dec 31, 2020 (Circular 04/2020/TT-NHNN)
- The minimum reduction of settlement fees is set at 50%.
- Also, the SBV told the banks to cut costs and postpone cash dividend payouts to shore up system solvency amid the mandatory reduced lending rates for outstanding and new loans (Directive 02/CT-NHNN).
- These directives follow the SBV's previous order for [banks to cut or delay loan payments](#) and its move to [slash policy rates](#).

**Our Take**

**Fee income will fall.** Settlement fees accounted for 38% of total fee income of the 18 listed banks in 2019. The mandatory fee reduction compounds the decline in volumes driven by the weak near-term outlook for transaction banking.

**Net fee income represented 10% of total adjusted revenue** (i.e., ex-recoveries) of the listed banks in 2019. This is not particularly large, but it has also been a key driver of ROE enhancement.

**Reduced operating costs and staff bonuses** will partially offset the earnings impact of reduced fees and lending rates.

**Delaying cash dividend payment will help strengthen capital level** for the banking system, which is [not well capitalized](#) on the whole. Investors may not cheer, but we believe applying this policy broadly (rather than only to specific thinly capitalized banks) is necessary to shore up systemic solvency and confidence in the crisis environment.

**The prospects for banks are obviously less attractive than we thought they would be in 2020** given reduced [NIM](#), lower fee income, higher provisioning costs, and a deterioration in real (if not reported) asset quality.

**Focus on quality balance sheets.** The key issue for investors now is whether the potential impact has been fully discounted in stock prices. We believe the degree of the impact will be bank-dependent so, as always, stock selection is key. In our view, the current valuations offer an opportunity to accumulate shares in solid banks such as our top pick, [VCB \(BUY\)](#).

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