

Yuanta Vietnam Coverage Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
BID VN	SELL	39,600	37,300	-6%
HDB VN	Hold-U/P	23,700	30,970	31%
MBB VN	BUY	17,500	25,900	48%
STB VN	BUY	9,960	12,950	30%
VCB VN	BUY	75,600	77,600	3%
VPB VN	BUY	23,900	25,530	7%

Source: Bloomberg, Yuanta

## The SBV continues to cut policy rates

On May 12, the State Bank of Vietnam (SBV) announced to cut rates effective from May 13.

Specifically, SBV Decision 918/QD-NHNN reduces 1) the refinancing rate (-50bps to 4.5%/year), 2) rediscount rate (-50bps to 3.0%/year), 3) overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments (-50bps to 5.5%/year), and 4) offering rate for valuable papers in the SBV's open market operations (-50bps to 3.0%/year).

In addition, SBV issued Decision 919 and 920/QD-NHNN to reduce deposit and loan rates. Demand deposits and term deposits of less than 1 month are capped at 0.20%/year (-30bps), term deposits of 1-to-less than 6 months are capped at 4.25% (-50bps), and short term loans for priority sectors are capped at 5.0%/year (-50bps).

Previously, the SBV also slashed the policy rates on [Mar 17](#).

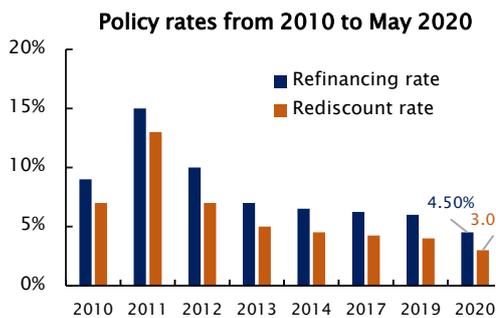
## Our Take

**Continue to support financial system liquidity.** Further reducing policy rates will help banks reduce short-term funding cost. As a result, banks will have more room to cut short-term loan rates, [extend loan repayments, as well as restructure debts](#) for borrowers. This should clearly boost financial system liquidity, while reducing short-term loan rates will ease the pressure on borrowers.

**However, funding cost might not reduce much, especially for weak banks.** Deposit rates cap applies for deposits of less than 6 months, and it might be hard for weak banks to compete with big banks (i.e. state-owned banks) to mobilize short-term funds. Thus, they have to mobilize capital from the medium-to-long term deposits, which has no cap and usually higher rates.

**Policy rate cut will help boost credit growth.** Credit growth in the first 4 months of 2020 was only 1.32% YTD, compared to 4.46% in the same period last year according to the SBV. Low capital absorption was due to the impact of Covid-19 and social distancing policy. However, Vietnam has basically controlled the pandemic, and business activities have resumed to normal. Capital demand will resume but slowly, and it will largely depend on the pandemic situation in major export markets of Vietnam such as Japan, the U.S, and the EU. **We expect credit growth will accelerate in the next two quarters** when the pandemic is controlled globally, and the policy rate cut will clearly be the strong catalyst to boost credit growth.

**We remain focus on quality banks.** This informs our top pick call. [VCB](#)'s 2.7x 2020E P/BV multiple is attractive vs its five-year trailing average of 3.0x and longer term 20%-plus ROE outlook. For those seeking greater risk/reward, we would add [STB](#).



Source: SBV

### Research Analyst:

Tanh Tran

+84 28 3622 6868 ext 3874

[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

Bloomberg code: YUTA

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Attn: Research  
Yuanta Securities Investment Consulting  
4F, 225,  
Section 3 Nanking East Road, Taipei 104  
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
Yuanta Securities (Hong Kong) Co. Ltd  
23/F, Tower 1, Admiralty Centre  
18 Harcourt Road,  
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

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Head Office  
Yuanta Securities Building  
Euljiro 76 Jung-gu  
Seoul, Korea 100-845  
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
PT YUANTA SECURITIES INDONESIA  
(A member of the Yuanta Group)  
Equity Tower, 10th Floor Unit EFGH  
SCBD Lot 9  
Jl. Jend. Sudirman Kav. 52-53  
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department  
Yuanta Securities (Thailand)  
127 Gaysorn Tower, 16th floor  
Ratchadamri Road, Pathumwan  
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department  
Yuanta Securities (Vietnam)  
4th Floor, Saigon Centre  
Tower 1, 65 Le Loi Boulevard,  
Ben Nghe Ward, District 1,  
HCMC, Vietnam

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