

Vietnam: Banks

18 June 2021

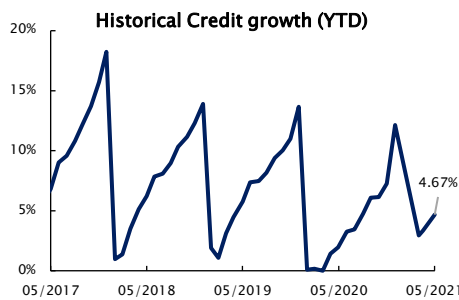
Yuanta Vietnam Coverage Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	35,050	30,492	-13%
BID VN	SELL	46,150	37,300	-19%
HDB VN	BUY	34,250	31,656	-8%
MBB VN	BUY	40,550	34,230	-16%
STB VN	HOLD-UDF	29,650	16,790	-43%
VCB VN	BUY	108,500	114,650	6%
VPB VN	HOLD-UDF	66,500	Under review	

What's new?

- Most banks have already achieved their initial full-year credit growth quotas.
- Liquidity has exhibited signs of constraints.
- Credit growth was 4.7% YTD as at May 2020, while deposit growth was only 2.6% YTD.

Our view

- 2Q21 net interest income should increase as credit growth outpaced deposit growth. We expect SBV to increase bank credit quotas.
- 2Q21 NIM could rise slightly despite signs of liquidity constraints.
- We expect provisioning to increase at low-LLR banks.



Source: FiinPro, SBV,

2Q21 Results Preview

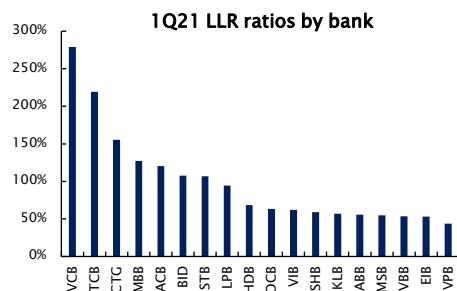
Credit growth recovered in 2Q21. In 5M21, credit growth of the whole sector was 4.7% YTD, which is more than double the 2.0% YTD in 5M20. 2Q21 net interest income should increase YoY driven by this higher credit growth. Most banks have reached their initial credit quota, and we believe that the SBV will again increase credit quotas, especially for the banks with strong capital levels such as TCB, VPB, HDB, and MBB.

We expect NIMs to improve in 2Q21 driven by high credit growth and low funding cost. However, bank system liquidity has exhibited signs of constraints including as increased interbank rates. The overnight rate has increased by 81bps YTD and the 1M interbank rate has risen by 1.1 ppt YTD. Liquidity constraints may have increased interest rates, but we expect the SBV to retain loose policy at least until yearend. This should pressure bank funding costs and loan interest rates. Thus, we expect 2021E NIM to remain flat or slightly higher than 2020's.

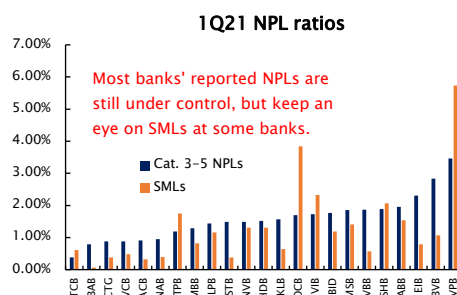
We expect 2Q21 fee income to increase driven by bancassurance sales and upfront fee recognition at banks such as ACB, CTG, MSB, and VCB. However, provisioning may increase in 2Q21, especially at the banks with relatively low LLR ratios (see our 2nd chart in the left margin). Circular 03/2021/TT-NHNN allows banks to provision for restructured loans over three years, but strengthening reserve buffers now against a likely increase in reported NPLs later would be prudent, in our view.

Net-net, we expect 2Q21 bank earnings growth to be solid, but not as strong as 1Q21's due to the expected QoQ increase in provisioning.

Our focus remains on the quality banks such as VCB, MBB, ACB. VCB remains the highest-quality bank based on our CAMEL ranking and its valuation premium is justified in our view. We chose MBB as a top pick in March given its high quality and previous valuation discount; however, MBB's shares have risen 67% YTD and it is now 14% above our target price. As such, we do not recommend chasing the stock here.



Source: FiinPro, Yuanta Vietnam



Research Analyst:

Tanh Tran

+84 28 3622 6868 ext 3874

tanh.tran@yuanta.com.vn

Bloomberg code: YUTA

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

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:

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)

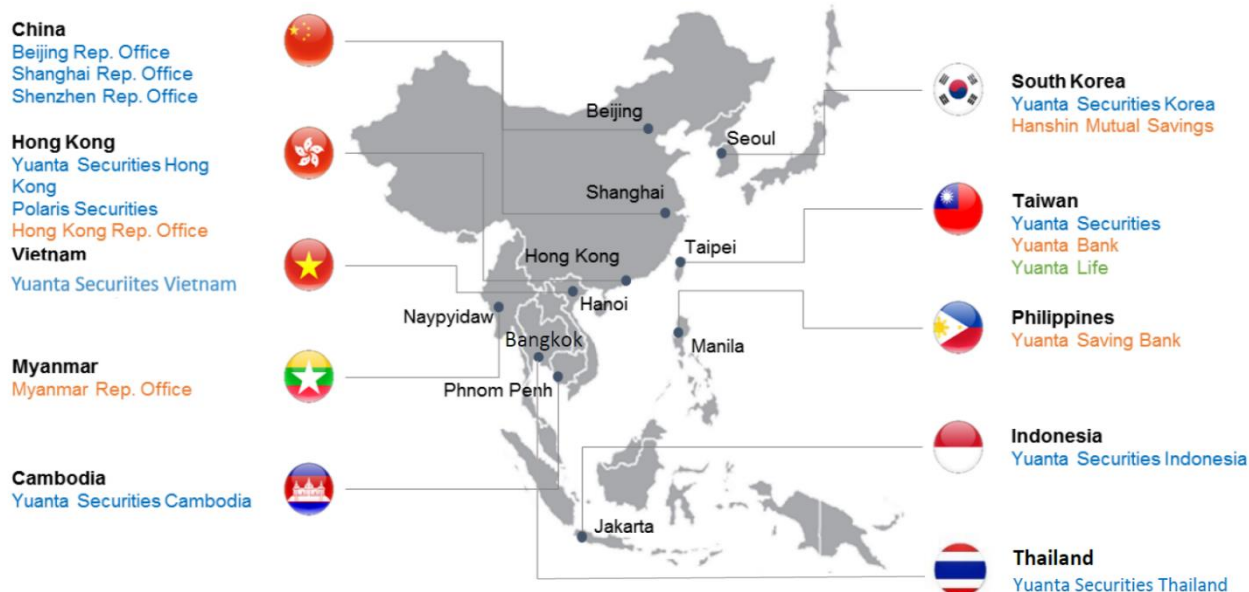
Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

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

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

Di Luu

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

binh.truong@yuanta.com.vn

Tanh Tran

Deputy Manager (Banks)

Tel: +84 28 3622 6868 (3874)

tanh.tran@yuanta.com.vn

Institutional Sales

Huy Nguyen

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

Huy.nguyen@yuanta.com.vn

Trung Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

trung.nguyen1@yuanta.com.vn

Anh Nguyen

Sales Trader Supervisor

Tel: +84 28 3622 6868 (ext. 3890)

anh.nguyen2@yuanta.com.vn