

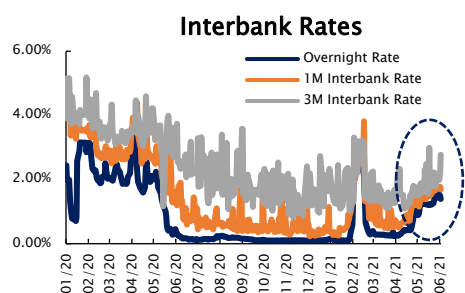
Yuanta Vietnam Banks Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	34,100	30,492	-11%
BID VN	SELL	43,900	37,300	-15%
HDB VN	BUY	32,700	31,656	-3%
MBB VN	BUY	37,900	34,230	-10%
STB VN	HOLD-UPF	28,900	16,790	-42%
VCB VN	BUY	101,800	114,650	13%
VPB VN	HOLD-UPF	71,800	Under review	

What's new?

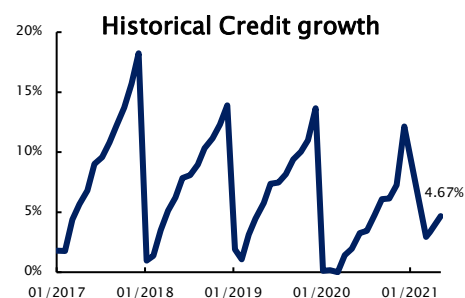
- The SBV's Document No. 3947/NHNN-TD requires the banks to continue supporting Covid19-impacted clients.
- Credit growth was 4.67% in 5M21 vs. 1.96% in 5M20.
- System liquidity has exhibited signs of constraints.

Our view

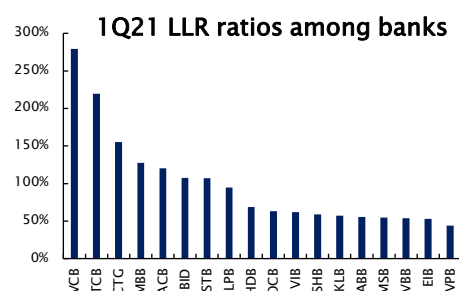
- We expect the SBV to maintain easy monetary policy going forward.
- Increased new NPL formation is possible, and banks may need to increase provisions against possible asset quality deterioration.
- We prefer quality banks with high LLR ratios. VCB is our top pick.



Source: FiinPro, Yuanta Vietnam



Source: FiinPro, SBV



Source: FiinPro, Yuanta Vietnam

Impact of Document 3947/NHNN

The SBV issued Document No. 3947/NHNN-TD on June 3, 2021 to require banks to implement measures to mitigate the impact of Covid-19 on borrowers. Specifically, the SBV requires banks to continue the loan restructuring / interest rate reduction policies while maintaining loan classification categories of the relevant assets.

This policy is obviously not new, but it confirms the SBV's prudent policy to support the economy in the context of the pandemic.

This also implies that the SBV recognizes the risks of the recent wave of Covid19 to borrowers and the overall economy. According to the GSO, 59,800 enterprises were dissolved in 5M21 (+23% YoY).

Bank system liquidity has decreased, demonstrated by an increased interbank rate (see the upper left figure). Overnight rate increased by 95bps YTD, and 1M interbank rate jumped by 178ppt YTD. In 5M21, credit growth of 4.7% YTD was faster than deposit growth of 2.6% YTD. Liquidity constraints may have increased interest rates, but we expect the SBV to retain its loose policy at least until yearend. This will help reduce banks' funding costs and also loan interest rates. We expect 2021E banks' NIM to remain flat or slightly higher than 2020's.

Overall, we expect real NPLs to increase due to the pandemic, and provisioning should also increase as a result. Therefore, we continue to recommend that investors focus on quality banks with high LLR ratios.

Our top picks [VCB \(BUY\)](#), and [MBB \(BUY\)](#). Both banks have high LLR ratios of above 100%, especially VCB, which reported an LLR ratio of a sector-high 279% as at 1Q21. VCB remains the highest-quality bank based on our [CAMEL ranking](#) and its valuation premium is justified in our view. We have highlighted [MBB](#) as one of our top picks since March given its high quality and previous valuation discount; however, MBB's shares have risen 60% YTD and it is now 11% above our target price. As such, we are reluctant to aggressively chase the ticker here.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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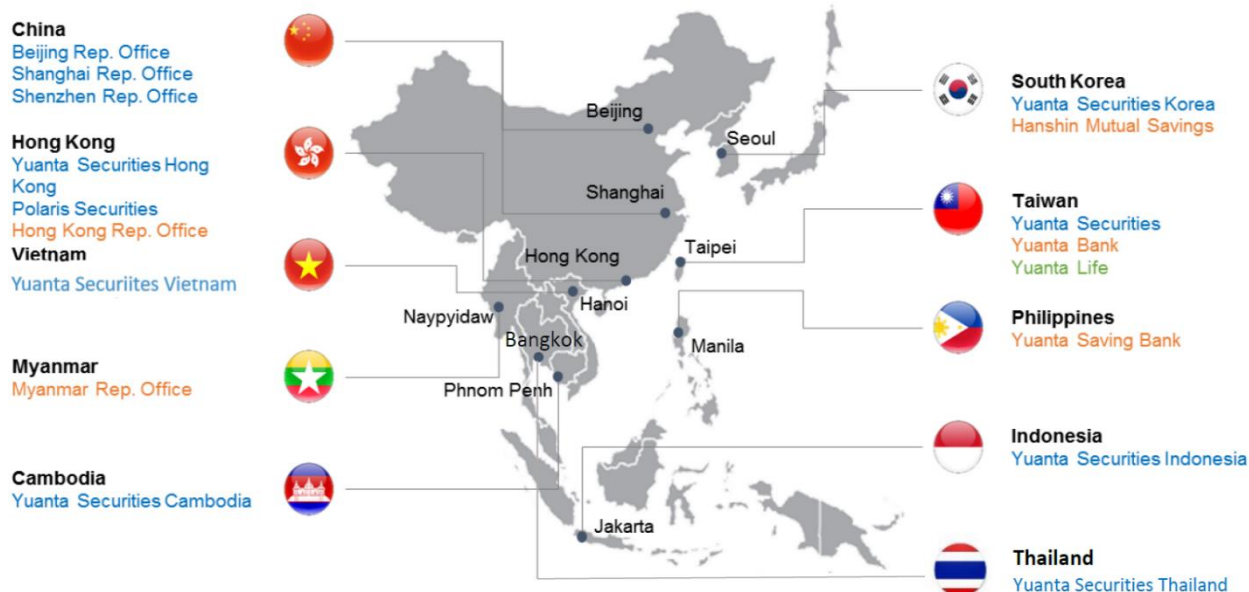
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