

Policy Rate Increase

23 September 2022

Yuanta Vietnam Banks Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	22,800	31,880	40%
BID VN	HOLD-UPF	35,150	38,860	12%
HDB VN	HOLD-OPF	24,700	33,100	34%
MBB VN	BUY	21,250	32,792	54%
STB VN	BUY	21,950	28,860	31%
VCB VN	BUY	78,000	89,850	16%
VPB VN	BUY	29,300	48,820	67%

Source: Bloomberg (pricing date: Sep 22), Yuanta Vietnam
* MBB's TP adjusted for stock dividend

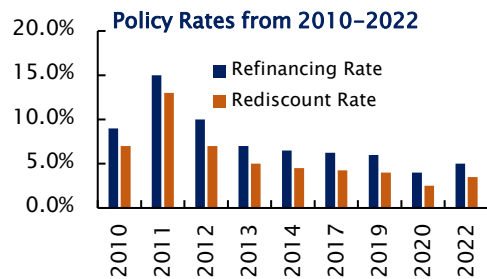
What's new?

- The SBV increased the policy rate for the first time since 2020.
- Rediscount rate lifted by +1ppt to 3.5%/year and refinancing rate increased by +1ppt to 5.0%/year.
- Overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments up +1ppt to 6.0%

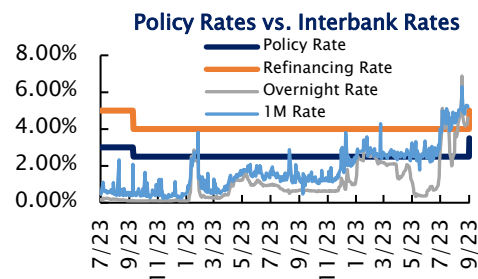
Our view

- Tightening policy is likely intended to reduce VND pressure against the global tide of the rising US dollar.
- For the banks, increased funding costs will constrain NIM given that SBV policy is also aimed at maintaining stable lending rates.
- We continue to prefer banks with high CASA ratios, including VCB & MBB.

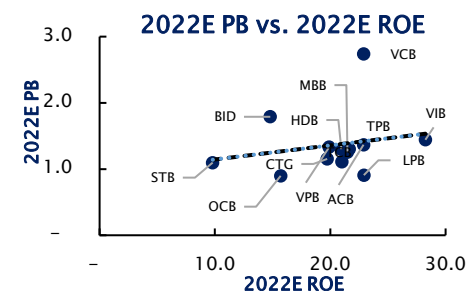
Overview: The SBV issued Decision 1606/QĐ-NHNN to increase the rediscount rate, the refinancing rate, and the overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments. The SBV also issued Decision 1607/QĐ-NHNN on the maximum interest rate for deposits in Vietnam Dong. These two decisions take effect today (Sep 23, 2022).



Source: SBV



Source: SBV



Source: Bloomberg, Yuanta Vietnam

The SBV tightens policy rates

On Sep 22, the SBV announced policy rate hikes effective from Sep 23. This is the SBV's first policy rate hike since 2020.

The SBV has increased three policy rates: 1) rediscount rate (+1ppt to 3.5%/year), 2) refinancing rate (+1ppt to 5.0%/year), and 3) overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments (+1ppt to 6.0%/year).

In addition, the SBV changed the dial on deposit rates. 1) The maximum rate for demand deposits and term deposits of less than 1 month increased by +30bps to 0.5%/year, and 2) Term deposits of 1-to-less than 6 months are capped at 5.0%/year (+1 ppt).

Our view

The SBV raised rates to tighten the liquidity in the system following the Fed rate hike decisions. We believe the intention is to help to ease pressure on the Vietnam Dong against the relentless rise in the USD.

However, the policy rate hike will cause banks' short-term funding costs to increase. At the Government meeting on Sep 22, the Prime Minister directed the SBV to increase policy rates and deposit rate caps while maintaining stable lending rates stable to support borrowers.

Thus, sector NIM is likely to be constrained. However, not all banks are the same. We believe that banks with low LDRs (i.e., HDB, MSB, VIB, and VPB), low ST funding to MLT loans ratios (i.e., ACB, HDB, MSB, and VPB) are better positioned to sustain NIM. Of course, the banks with high CASA ratios (i.e. TCB, MBB, and VCB) are particularly well-positioned to weather the negative NIM impact from rising funding costs.

Attractive valuations. The sector trades at a median 1.2x 2022E P/B with 2022E ROE of 21% (Bloomberg consensus). Our top picks are: [VCB](#), [MBB](#), and [ACB](#). We also have BUY recommendation on [STB](#) and [VPB](#).

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