

**Banks Sector: Potential loosening of bond regulations**

**28 March 2023**

Yuanta Vietnam Banks Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	24,450	27,958	14%
BID VN	HOLD-UPF	46,000	38,860	-14%
HDB VN	BUY	18,200	23,510	29%
MBB VN	BUY	17,950	25,480	42%
STB VN	BUY	25,500	28,860	13%
VCB VN	BUY	91,000	93,230	3%
VPB VN	BUY	21,250	22,060	4%

Source: Bloomberg (pricing date: Mar 27), Yuanta vietnam

**What's new?**

- The SBV plans to amend Circular 16, focusing on adding conditions for banks on buying corporate bonds and controlling the purpose of using proceeds from bond issuances.
- Suspension of the provision "within 12M after selling bonds, banks are not allowed to buy back bonds that they have sold" until end-2023.

**Our view**

- The most notable change is that banks would be able to sell and repurchase corporate bonds without having to wait for 12 months, as currently regulated.
- If approved, the draft Circular should increase bond issuers' ability to obtain funding from banks in the near term.
- Proposed revisions should enhance safety in corporate bond activities.

**Overview:** The SBV plans to revise Circular 16/2021/TT-NHNN, focusing on requirements for credit institutions when purchasing corporate bonds and controlling the use of funds from bond issuance. The draft would suspend the provision that prohibits credit institutions from repurchasing bonds they have previously sold within 12 months until the end of 2023.

**Draft revision to Circular 16 regulations**

There are five main changes in the draft circular:

- 1) For credit institutions to buy corporate bonds, the debt-to-equity ratio (post-bond issuance) of the issuer must not exceed 5 times.
- 2) Credit institutions cannot buy C.bonds if the relevant funds are intended for business and investment cooperation with other companies.
- 3) An additional three provisions appear to be targeted at restricting the use of cash when banks purchase new C.bond issuances directly. We believe the provisions include requirements for banks to manage issuer revenues and to ensure that the funds raised from bond issuance are used for the purposes stated in the issuance documents.
- 4) Credit institutions investing in C.bonds would have both the right and obligation to supervise the relevant bond issuance proceeds to ensure that the issuers use the funds for the intended purposes.
- 5) The prohibition on banks repurchasing C.bonds that they have sold within the prior 12M would be suspended until end-2023.

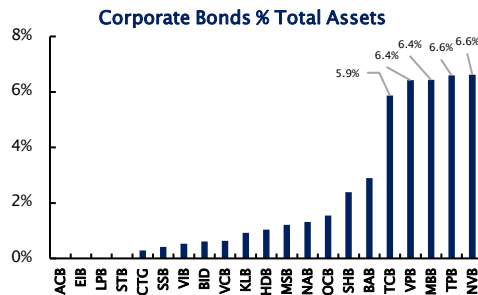
**Our view**

**Positive implications for issuers and banks,** as the proposed revisions should support in corporate bond activities. Assuming that the draft is approved, the most notable change is that banks will be able to sell and repurchase C.bonds without having to wait for 12 months, as currently regulated. This would allow greater financial flexibility for issuers.

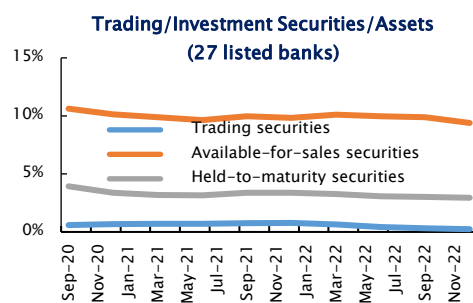
**Valuation:** The bank sector trades at a median 1.0x 2023E P/B with 2023E ROE of 19% (Bloomberg consensus). Our top sector picks focus on quality: [ACB](#), [MBB](#), and [VCB](#). Among our top picks, the draft is probably most directly positive for MBB given its high exposure to corporate bonds (6.4% of assets at 4Q22). The news may also come as a positive for VPB (BUY), TCB (not rated), and TPB (not rated).

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Source: FiinPro, Yuanta Vietnam



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