

# **Vietnam Banks**

3 April 2023

### **Policy Rate Cut**

Yuanta Vietnam Banks Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	25,000	27,958	12%
BID VN	HOLD-UPF	46,200	38,860	-15%
HDB VN	BUY	19,250	23,510	22%
MBB VN	BUY	18,250	25,480	40%
STB VN	BUY	26,200	28,860	10%
VCB VN	BUY	91,400	93,230	3%
VPB VN	BUY	21,050	22,060	5%

Source: Bloomberg (pricing date: Mar 31), Yuanta Vietnam

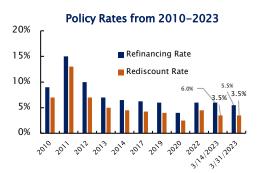
# Nhat's new?

- The SBV reduced its policy rates by another -50bps over the weekend.
- **Refinancing rate cut by -50bps** to 5.5%/year.
- The maximum for short-term lending rate is capped at 4.5% (-50bps).
  - The cap on 1–6 month term deposit rates cut by –50bps to 5.5%.

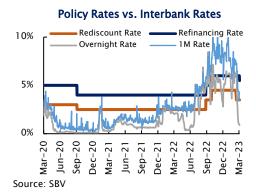
# **Our view**

- The rate cuts are intended to stimulate the economy after weak 1Q23 GDP growth of just 3.3% vs. the government's full-year target of 6.5%.
- The decision is reasonable given that CPI is running at 4.2% YoY, below the annual target of 4.5% YoY.
- Lower rates should be positive for risk assets, including stocks.

**Overview:** The SBV has cut its policy rates by -50bps for the refinancing rate, the cap on short-term lending rates in Vietnam dong, and the maximum rates that banks can pay on demand deposits, term deposits of less than 1M, and term deposits of 1M to less than 6M. The interest rates on deposits in VND of the State Treasury and Vietnam Deposit Insurance were also cut by -30bps to 0.5%/year.



Source: SBV



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# The SBV continues to cut policy rates

The SBV has announced a second policy rate reduction in 2023, effective Apr 3. This announcement follows quickly in the wake of <u>the first policy</u> rate cut in mid-Mar 23.

Several policy rates cut by -50 bps: 1) the refinancing rate is reduced by -50 bps to 5.5%/year, 2) the cap on short-term lending rates for favored sectors is reduced to 4.5%/year (-50 bps), 3) the cap on deposit rates for demand and term deposits of less than 1M is 0.5%/year (-50 bps) and for term deposits of 1M to less than 6M is cut to 5.5%/year (-50 bps).

**Other policy rates were cut already.** The overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments remains 6.0%/year, and the rediscount rate remains 3.5%/year. The SBV had reduced these rates by -100bps in mid-Mar 23.

## Our view

**SBV's rate cut decision is an appropriate move to boost the economy** in the context of low credit growth, low GDP growth, and controlled inflation. In 1Q23, credit growth was only 2.1% YTD (vs. the full-year target of 14–15% YoY and vs. 1Q22 growth of 5.0% YTD), CPI was 4.2% YoY (still below the annual target of 4.5% YoY), and GDP growth was modest at 3.3% YoY (the <u>second lowest</u> first-quarter performance in the past 14 years).

Decreased interest rates should also partly help alleviate the debt burden for borrowers, thereby reducing the strain on banks' asset quality deterioration. Additionally, reduced rates should have a broadly positive impact on risk assets, including stocks.

**Bank valuations remain attractive.** The sector trades at a median 1.1x 2023E P/B with 2023E ROE of 19% (Bloomberg consensus). Our top sector picks still focus on quality: <u>ACB, MBB</u>, and <u>VCB</u>.

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