

Vietnam Banks: The Third Policy Rate Cut of 2023

24 May 2023

Yuanta Vietnam Banks Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	25,350	27,958	14%
BID VN	HOLD-UPF	43,850	38,860	-10%
HDB VN	BUY	19,500	23,510	26%
MBB VN	BUY	18,750	25,480	39%
STB VN	BUY	27,950	28,860	3%
VCB VN	BUY	92,800	93,230	1%
VPB VN	BUY	19,550	22,060	18%

Source: Bloomberg (pricing date: May 23), Yuanta vietnam
 Note: STB and VCB have almost reached our target.

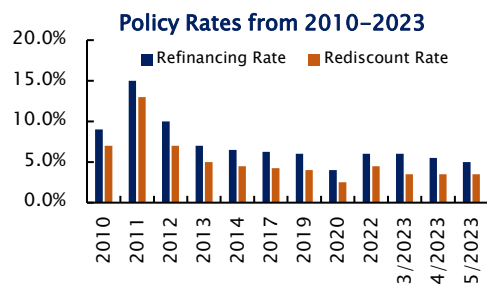
What's new?

- **Refinancing rate cut by -50bps to 5.0%/year.**
- **The overnight rate** for interbank electronic payments and lending to compensate for capital shortages decreased by -50bps to 5.5%/year.
- **Cap on 1-6 month deposit rates cut by -50bps to 5.0%**, but no change to longer term fixed deposits.

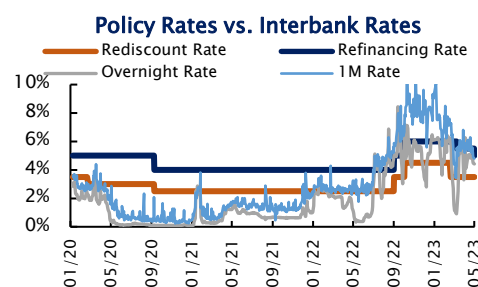
Our view

- **Cuts should support economic growth.**
- **Funding costs should decline** on lower policy rates & reduced relative attractiveness of fixed deposits.
- **Policy rate cuts should pass through to lower loan yields.** As such, the NIM benefit is likely to be marginal.
- **But rate cuts imply lower provisioning,** which is positive for bank earnings.

Overview: The SBV cut several of its policy rates by -50bps yesterday evening: the refinancing rate, the maximum rates that banks can pay on term deposits of 1M to less than 6M, and the overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments.



Source: SBV



Source: SBV

More policy rate cuts

The SBV has announced another policy rate cut effective May 25. This is after the central bank reduced policy rates in [March](#) and [April](#) of 2023.

The SBV cut several policy rates by -50bps: 1) the refinancing rate is cut by -50bps to 5.0%/year, 2) the cap on term deposits of 1M to less than 6M is reduced by -50bps to 5.0%/year, and 3) the overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments is lowered by -50bps to 5.5%/year.

Other policy rates remain unchanged. The rediscount rate remains at 3.5%/year. The SBV had reduced this rate rates by -100bps in mid-Mar 23. The cap on deposit rates for demand and term deposits of less than 1M remains at 0.5%/year, which was already cut by -50bps in Apr 23.

Our view

SBV's rate cut decision aims to stimulate the economy given low GDP growth in 1Q23. The average CPI of 3.84% YoY for the first 4 months is still below the annual target of 4.5% YoY, which provides SBV with flexibility to ease monetary policy.

Reduced rates will help lower the cost of funds for banks, which gives banks room to lower loan yields to support borrowers. **In addition, term deposits will be less attractive** due to lower interest rates, which may drive an increase in CASA, further reducing the funding costs for banks.

Decreased rates can also partly alleviate the debt burden for borrowers, thereby reducing provisioning pressure for banks. Furthermore, lower rates may 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: [ACB](#), and [MBB](#). We also have BUY recommendations on [HDB](#) and [VPB](#).

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

Matthew Smith, CFA

Head of Research

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

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

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

tanh.tran@yuanta.com.vn

Di Luu

Analyst (Consumer)

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 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

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

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

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

an.nguyen@yuanta.com.vn

Institutional Sales

Anh Nguyen

Sales Trader Supervisor

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn