

Vietnam Banks

16 June 2023

Yuanta Vietnam Banks Universe				
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	21,750	23,442	12%
BID VN	HOLD-UPF	44,050	38,860	-10%
HDB VN	BUY	18,700	23,510	31%
MBB VN	BUY	19,850	24,980	28%
STB VN	BUY	28,600	28,860	1%
VCB VN	BUY	103,400	93,230	-9%
VPB VN	BUY	19,950	22,060	16%

Source: Bloomberg (pricing date: Jun 15), Yuanta Vietnam
 TP for ACB & MBB are adjusted for dividends. VCB's TP has been reached and we temporarily removed VCB from BUY recommendation.

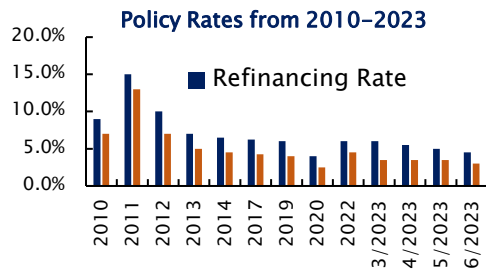
What's new?

- The SBV cut three key policy rates by 50bp on Friday afternoon.
- The cuts apply to the rediscount rate (4.5%), refinancing rate (4.5%), and rate for overnight interbank electronic payments & capital shortage compensation loans (5.0%).
- The cap on 1–6 month bank deposit rates is also cut by –25bps to 4.75%.

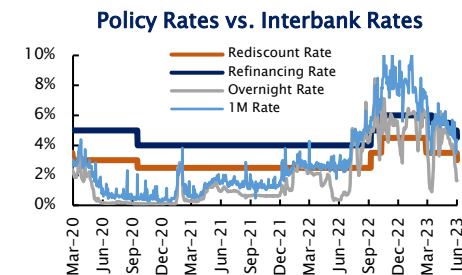
Our view

- Credit and GDP growth should improve in 2H23 following this rate cut.
- Funding costs should also decline due to lower policy rates.
- But NIM benefit is likely to be limited given forbearance policy for borrowers.
- Monetary easing should support the bull market in equities, including the bank stocks.

Overview: The SBV cut three key policy rates by –50bps today: the refinancing rate, the rediscount rate, and the overnight rate for interbank electronic payments & lending to compensate for capital shortages in clearing payments. The SBV also cut the maximum short-term lending rate for favored sectors and reduced the cap on the 1-to-6-month bank term deposit rate by –25bps.



Source: SBV



Source: SBV

Fourth policy rate cut of 2023

The SBV has announced another policy rate cut effective Jun 19. This is after the SBV reduced policy rates in [March](#), [April](#), and [May](#) of 2023.

The policy applies to several key SBV rates: 1) the refinancing rate is cut by –50bps to 4.5%/year, 2) the rediscount rate is reduced by –50bps to 3.0%/year, 3) the cap on term deposits of 1M to less than 6M is reduced by –25bps to 4.75%/year, and 4) the overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments is lowered by –50bps to 5.0%/year.

In addition, the SBV has lowered the cap on lending rates for certain favored sectors to 4.0%/year (–50bps).

Our view

SBV's rate cut is intended to stimulate the economy. 5M23 credit growth was only 3.17% YTD, and we think the 2Q23 GDP figure is [unlikely to improve](#) from +3.3% in 1Q23. But the reduced differential between the VND and USD real rates may result in depreciatory pressure on the VND.

We think the NIM benefit will be marginal for the banks as reduced funding costs are likely to be offset by lower yields. Decreased rates can also partly alleviate the debt burden for borrowers, thereby reducing provisioning pressure for banks.

However, this rate cut may have a strong positive impact on the stock market. Policy rates have nearly reached the COVID-era lows of Oct 2020. Recall that the stock market jumped approximately 70% from Oct 2020 to Jan 2022.

Overweight: Bank valuations are attractive at a median 1.1x 2023E P/B with 2023E ROE of 19% (Bloomberg consensus). Our top sector picks are [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