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Interbank market

Assessment of the overnight rate spike and liquidity outlook

Overnight interbank rates surged in early February

- Overnight interbank rates rose sharply over the last three days, peaking at 17.25% on 3 February 2026, before easing back to around 9.5% currently.
- The SBV has aggressively injected liquidity through forward purchases of valuable papers, with a total value of ~VND161,000 billion over 2–3 February 2026, alongside forward USD/VND swap operations, to alleviate market pressure.

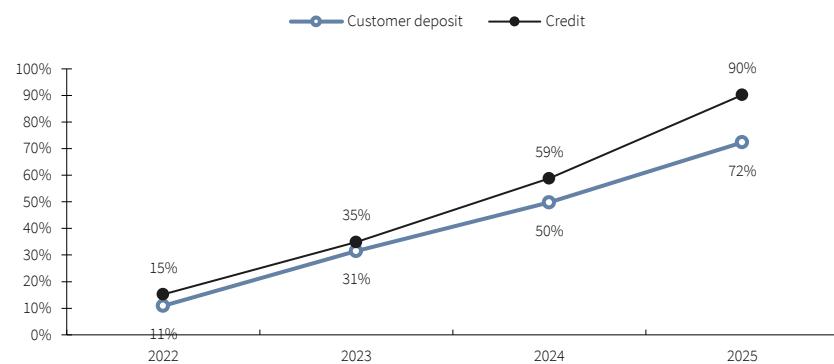
Overnight interbank rates have risen on funding tightness, cash hoarding, and seasonal liquidity pressures, but are expected to ease after 1Q

- **Funding tightness underpinned by the credit and customer deposit growth gap.** Persistent low interest rates throughout 2025 suppressed customer deposit growth (15.1% YTD), which lagged behind robust credit expansion (19.6% YTD). Consequently, the loan-to-customer deposit ratio among the 15 largest banks under KBSV's coverage rose to 115%, up from 110% at the start of the year, prompting banks to raise deposit rates to safeguard liquidity.
 - **Commentary:** In recent years, credit growth has averaged around 13–15%, a pace broadly consistent with the economy's capacity to absorb capital and unlikely to create systemic liquidity stress. In 2025, however, credit expansion exceeded historical norms by roughly 5.5 percentage points. Under unchanged conditions, deposit growth would typically take around six months to absorb the resulting liquidity shortfall. That said, banks have recently raised deposit rates, and despite an inherent lag, we expect the gap between credit and deposit growth to be largely closed after 1Q, alleviating funding pressures.
- **Rising cash hoarding due to changes in household business taxation (including rental activities).** From 2026, the revised tax policy raises the non-taxable revenue threshold to VND500 million per year and allows this amount to be deducted before turnover-based tax rates are applied. As a result, household businesses with revenue above the threshold have greater incentives to limit reported income. In practice, many have shifted toward cash-only transactions and avoided bank transfers, leading to an increase in cash holdings outside the banking system and a modest drag on system liquidity.
 - **Commentary:** According to the General Department of Taxation, ~240,000 household businesses report annual revenue above VND500 million. KBSV estimates that roughly VND24 trillion could be retained outside the banking system per quarter, equivalent to around 0.15% of total deposits. While this impact is not material at the system level, cash hoarding may temporarily exceed this estimate during the initial phase of policy implementation amid heightened uncertainty. We expect this effect to be transitory, with a lag of approximately one quarter before a portion of the cash gradually returns to the banking system.

- **Seasonality of cash flows ahead of the Lunar New Year.** In Vietnam, cash demand typically increases toward the end of 4Q and into early 1Q, particularly in the run-up to the Lunar New Year, driven by short-term funding needs such as salary and bonus payments, employee advances, Tet-related spending, and supplier settlements.
 - **Commentary:** Based on historical patterns, we anticipate overnight interbank rates to normalize after 1Q, easing liquidity conditions in 2Q.
- >> Overall, we expect funding tightness in the banking system to persist through 1Q. While interest rates are unlikely to revert to previous lows, they are expected to gradually ease, establish a new equilibrium, and stabilize from 2Q.

Fig 1. Vietnam – Cumulative credit and customer deposit growth since 2021 (%)

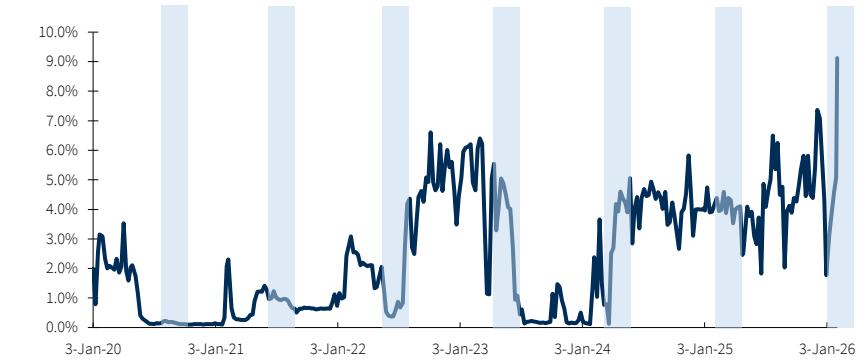
The widening gap between credit and deposit growth in 2025 is driven by a low-interest rate environment that diminishes the attractiveness of bank deposits, alongside policy guidance aimed at accelerating credit growth to support the economy.



Source: Company reports, KB Securities Vietnam

Fig 2. Vietnam – Overnight interbank interest rates in 2020–2026 (%)

Interbank interest rates typically rise in 1Q as higher cash demand exerts pressure on system liquidity.



Source: FiinPro, KB Securities Vietnam

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Investment Ratings for Stocks

(Based on the expectation of price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(Based on the assessment of sector prospects over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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