Sector Note

Banks

FY23F guidance: some positive surprises

- As of 11 Apr 2023, 15 commercial banks (CBs) have revealed theirs FY23F business plan.
- In general, most banks set for a higher credit growth limit than the 1st quota assigned by the SBV.
- 10/15 banks aimed for a lower PBT growth amid current headwinds, but few banks targeted for an aggressive earnings growth in FY23F.

Most FY23F credit growth plan surpassed SBV's 1st quota

Three listed SOCBs (BID, CTG, VCB) aimed for credit growth ranging 10-13%, which trails the Central bank's guidance of 14% for this year. Circular 26 effective since end-FY22 has lowered the LDR ratio of both BID and CTG, which provided more room for credit expansion for these two banks. Whilst ACB conservatively targeted only 10% credit growth amid current headwinds, VPB, VIB, and HDB aggressively set credit growth of 33%/25%/24% for FY23F. For VPB, we acknowledge that the recent 15% private placement with SMBC would boost its CAR, making way for higher credit growth. Also, HDB still has room to reach higher-than-peer credit growth this year, given (1) its commitment to handling weak financial institutions; (2) robust CAR of 13.4% at end-2022. Meanwhile, VIB with high focus on retail lending keeps being confident in its credit growth limit capacity this year. In general, all these credit growth plans are higher than the 1st quota banks received from the SBV.

Conservative business plans amid the current headwinds

Taking into account the possibility of lower credit demand, higher credit cost and likely rising bad debts, 10/15 commercial banks have set FY23F earnings growth lower than that of FY22A. The three SOCBs target FY23F earnings growth ranging 10 -15 % yoy; relatively in line with our forecasts. Other CBs also aimed for 10-17% PBT growth in FY23F even last year that could achieve 30-40% yoy. TCB is the only bank providing a negative growth in its 2023 PBT plan (-14% yoy) as the bank has been facing multiple headwinds due to (1) high exposure to property developers/c-bond segments, (2) high CASA outflow as clients switched to high-interest rates term deposits, and (3) lower rating from Moody.

However, few banks set FY23F aggressive earnings growth

Notably, VPB's 2023 credit target of VND636tr (+33% yoy) and 2023 PBT target of VND 24.0tr (+13% yoy or +53% yoy excluding one-off banca upfront fee in FY22) are 10%/14% higher than our forecasts, respectively. In our view, both targets are fairly aggressive considering the current weak economic environment and VPB's high exposure to the real estate and c-bond markets, which are going through a rough patch. STB is one of the prominent names in the sector, which will be able to deliver high earnings growth despite sector's turbulence (FY23F PBT targets to reach VND9.5tr, +50% yoy). We believe that its NIM would be widened to 4% range whilst provision is not going to be a pressure for the bank as it had already aggressively booked provisions in the last year. Altogether, these commercial banks' 2023 PBT target suggests management's confidence regarding banking sector prospect, which we would view as a positive surprise.

Capital raising/M&A plan

Despite current unfavoured market, VCB announced a private shares issuance plan of 6.5% of its charter capital to financial institutions in FY23F to improve CAR by 2-2.5%, making ways to receive a higher credit growth limit. MSB also submitted to the AGM 2023 a plan to merge with another commercial bank this year, (market talks PG Bank), as some key persons from MSB have been promoted to hold important roles in PGB in the recent 2 years.

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Figure 1: Commercial banks' FY23F business guidance

	FY22 operating results			FY23F guidance			VND's forecast		
	Credit growth (%yoy)	PBT (VNDbn)	% yoy	Credit growth (%yoy)	PBT (VNDbn)	% yoy	PBT (VNDbn)	% VND forecast / FY23F guidance	Comments
VCB	11.8%	37,359	36.5%	13%	41,095	10%	42,064	102%	VCB planned to issue 6.5% of its charter capital via private placement to financial investors, which would improve its CAR by 2-2.5% and fuel its credt growth limit.
TCB	14.5%	25,568	10.0%	15%	22,000	-14%	32,009	145%	TCB is the only bank providing a negative growth in its 2023 PBT plan (-14% yoy) due to (1) high exposure to property developers/c-bond segments, (2) high CASA outflow and (3) lower rating from Moody. However, we think the bank would easily surpassed its business guidance as the recent supportive regulations for c-bond market and property sector could ease the liquidity tension for these two markets.
BID	18.5%	23,058	69.5%	12-13%	26,800	16%			Given the bank's low exposure to property lending mix (~25% at end-FY22) and solid asset quality, we believe the bank would be able to achieve its target by maintaining its FY22 NIM and lower credit cost.
MBB	25.4%	22,729	37.5%	15%	26,139	15%	24,976	96%	FY23 PBT target of VND26.1tr (+15% yoy) is 4% higher than our forecast and seems optimistic considering the cash flow issues at some of MBB's large customers. These targets suggest management's confidence regarding the bank's prospect in FY23F
VPB	32.0%	21,220	45.5%	33%	23,978	13%	21,112	88%	In our view, both targets (credit balance and PBT) are fairly aggressive considering the current weak economic environment and VPB's high exposure to the real estate and c-bond markets, which are going through a rough patch. We expect supportive regulatory changes and VPB's recently announced 15% private placement with SMBC (expected to be completed in 2Q-3Q this year) will provide meaningful tailwinds to VPB's businesses, giving us more confidence that the bank can achieve / beat our current forecasts. Planned cash dividend of VND1,000/share represents a fairly attractive yield of 4.8%.
CTG*	12.9%	21,113	20.0%	10-12%	23,753	10-15%	23,400	99%	In line with our forecast. We reckon that the FY23F guidance is totally feasible given the bank's sound asset quality and strong LLR ratio.
ACB	14.5%	17,114	42.6%	10%	20,024	17%	18,452	92%	Slower PBT growth yoy could be attributed for (1) a decent loan growth of 10% yoy; (2) 20bps of NIM compression; and (3) no more provisioning reversal like the previous year.
VIB	14.3%	10,581	32.1%	25%	12,200	15%	11,989	98%	Despite the current sector headwinds and scrutiny in property market, VIB still aimed for a strong credit and PBT growth in 2023.
HDB	28.3%	10,268	27.2%	24.0%	13,246	29%	12,159	92%	HDB is another aggressive bank with PBT target of 29% yoy, underpinned by its strong credit growth target of 24% yoy. We agree that the bank still have room to reach higher-than-peer credit growth in this year, given (1) its participation in handling weak financial institutions; (2) robust CAR of 13.4% at end-2022.
TPB	18.9%	7,828	29.6%	18%	8,689	11%			Due to sectoral headwinds via modest credit growth + softer NIM + rising credit-cost rate, TPB will also foresee a slowdown in its earnings growth momentum, reflecting in 2023 guidance of only 11% yoy PBT growth (from 30% yoy in 2022).
STB	17.8%	6,339	44.1%	12%	9,509	50%			STB is one of the prominent name in the sector, which will be able to deliver high earnings growth despite sector's turbulence in 2023. We believe that its NIM will be widen to 4% range (equivalent to pre-merge period) and provision will not be a pressure for the bank as it had already agressively booked provisions in the last year (particularly in 4Q22 for VAMC).
MSB	14.3%	5,787	13.7%	TBA	6,300	9%			Submitting to the General Meeting of Shareholders plan to merge another commercial bank
EIB	12.2%	3,709	207.8%	12%	5,000	35%			After years of internal struggles, EIB starts to show some positive signal in its corporate governance, leading to a better earnings growth picture. Hence, we believe that the bank is expecting for a declining CIR and a lower-than-previous-years credit-cost rate as well.

** based on BOD's estimates*

Source: VNDIRECT RESEARCH, Commercial banks

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Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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