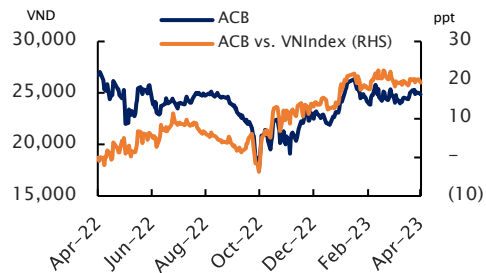


Asia Commercial Bank [ACB VN]
13 April 2023
BUY
TP upside/(downside) +13%
Close 12 Apr 2023
Price VND 24,850
12M Target VND 27,958


Market cap	US\$3.5 bn
6M avg. daily turnover	US\$5.8 mn
Outstanding shares	3,377 mn
Free float	85.0%
FINI ownership	30.0%
Major shareholders	31.1%
2023E Asset/equity (x)	8.9x
2023E P/E (x)	5.3x
2023E P/B (x)	1.2x
FOL remaining room	0.0%
2023E dividend yield (%)	4.0%

Source: FiinPro, Yuanta Vietnam, Company

ACB's 2023E Plans	2022	2023E	% YoY
Assets	607,875	668,788	10.0%
Credit assets (*)	413,706	453,836	9.7%
Deposits	458,257	495,411	8.1%
PAT	13,688	16,046	17.2%
NPL	0.74%	<2%	

(*) We forecast 2023E credit growth to be higher than guidance, subject to SBV approval.

Source: Company Data

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AGM Takeaways

We attended today's annual general meeting, at which ABC disclosed its 2023 targets. ACB announced that it will pay a cash dividend of VND1,000/share on 2022E earnings, implying a dividend yield of 4% (vs our assumed cash payout of zero).

Key Takeaways

ACB targets 2023E PBT of VND20 tn (+17% YoY). In 1Q23, ACB's PBT was about VND5.1 tn (+42% QoQ/+24% YoY), representing 26% of its full-year target and 25% of our 2023E forecast.

ACB's credit growth was -0.6% YTD in 1Q23. The bank said this was due to the economic slowdown in 2M23, but credit growth recovered in March (+2.2% MoM). The bank targets 2023E credit growth of 9.7% YoY, total asset growth of 10%, and deposit growth of 8.1% YoY. Credit growth could be higher, subject to SBV approval.

1Q23 deposit growth was 2.1% YTD, and ACB's LDR was just 78% vs. the SBV's cap of 85%.

NPL ratio remains low at sub-1% in 1Q23, and the bank has no exposure to corporate bonds.

Capital level is strong, with CAR at 13.1% as at 1Q23.

Dividend policy: ACB plans to pay a cash dividend of 1,000 VND/share on 2022 earnings, implying a yield of 4% (payout to occur in 3Q23). The bank will also issue 507mn stock dividend shares and increase its charter capital to VND38.8 tn (+15% vs. 4Q22), also in 3Q23. ACB plans to maintain the same dividend policy on 2023 earnings.

Our view

ACB's credit growth was negative in 1Q23. We believe that the bank's 1Q23 earnings were largely driven by NPL recoveries.

We believe that ACB will receive a higher credit quota in 2H23 due to its strong asset quality and capital adequacy. We forecast ACB's credit growth to reach 15% YoY in 2023E, well above its stated target.

Strong asset quality. ACB ranks highly in our [CAMEL ratings](#) of all the listed banks, and the bank has no exposure to corporate bonds. Its high loan loss reserve (LLR) ratio of 159% and low NPL ratio of 0.74% as at 4Q22 allow it ample flexibility to reduce provisioning and boost earnings.

Reiterate BUY. [ACB](#) trades at 1.2x 2023E, slightly above the sector median of 1.1x, but we believe it deserves a premium over peers given its strong operational results and solid asset quality. We expect 2023E ROE to reach 24% compared to the sector median of 19%. Our target price implies +17% 12-month TSR, and we reiterate BUY.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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