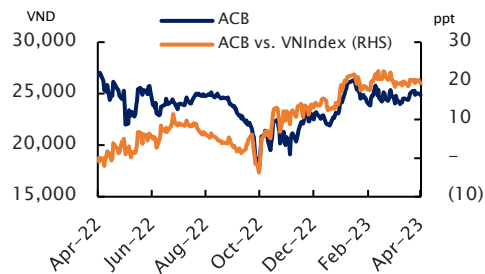


BUY
TP upside (downside) +16%
Close 28 Apr 2023
Price VND 24,200
12M Target VND 27,958
Share price performance relative to VNI


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

ACB's 1Q23 Results	1Q23	% QoQ	% YoY
NII (VND bn)	6,215	-4%	14%
Net Fee Inc.(VND bn)	627	-32%	-15%
Adj. TOI (VND bn)	7,353	-6%	13%
Opex (VND bn)	2,508	-38%	-8%
Provision (VND bn)	256	2%	-9105%
PATMI (VND bn)	4,135	44%	26%
NPL (%)	0.97%	+24bps	+15bps
LLR (%)	117%	-43ppt	-71ppt
CASA (%)	20.2%	-2.1ppt	-6.7ppt

Source: Company Data, Yuanta Vietnam
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Asia Commercial Bank (ACB VN)

NPL recoveries boost earnings

ACB reported 1Q23 PATMI of VND4.1 tn (+44% QoQ/+26% YoY), which fulfilled 26% of the bank's full-year target and 26% of our forecast. The earnings increase was mainly driven by a sharp rise in other income and a decline in opex.

Details

The bank reported loan growth decrease of -0.6% QoQ, while deposits increased by 2.1% QoQ.

1Q23 net interest income was VND6.2 tn (-4% QoQ/+14% YoY). Annualized NIM on average assets was 4.08% (-34bps QoQ/-4bps YoY) on our calculations.

1Q23 net fee income was VND627 bn (-32% QoQ/-15% YoY). A detailed breakdown was not unveiled, but we think this was due to reduced banca sales -- which seems to be a sector trend in 1Q23.

1Q23 other income was VND567 bn (+304% QoQ/+54% YoY). A complete breakout is not available to us yet, but we think this was mostly loan loss recoveries.

1Q23 opex declined by -38% QoQ/ -8% YoY to VND2.5 tn. This is in contrast to ACB's increased spending on staff compensation and IT in 4Q22. We estimate ACB's adjusted CIR to reach 34% (-18ppt QoQ/-8ppt YoY) in 1Q23.

1Q23 provisioning cost was VND256 bn (+2% QoQ and a normalization from the negative -VND3 bn in 1Q22 provisioning).

LLR ratio decreased to 117% (-43ppt QoQ/-71ppt YoY) in 1Q23. ACB's 1Q23 NPL ratio was 0.97% (+24bps QoQ/+15bps YoY). Cat. 3 NPLs jumped by +94% QoQ/+214% YoY, and cat. 4 surged by +149% QoQ/20% YoY.

CASA ratio decreased to 20.2% as at 1Q23 (-2.1ppt QoQ/-6.7ppt YoY).

Our view

We expect credit growth to recover in the upcoming quarters given [SBV's recent policy shift](#) and likely continued rate cuts in the near future. We forecast ACB's credit growth to reach 15% YoY in 2023E.

Prudent risk management. ACB has no exposure to corporate bonds, which insulates the bank from any direct impact of corporate defaults.

Despite increasing NPLs, asset quality remains robust. ACB's NPL and LLR ratios remain at healthy levels, in our view.

Reiterate BUY. [ACB's](#) shares trade at 1.2x 2023E P/B, slightly above the sector's median of 1.1x. However, ACB has superior operating efficiency with our 2023E ROE of 24% vs. the sector median of 19%, and its balance sheet is healthier than the sector's, in our opinion.

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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