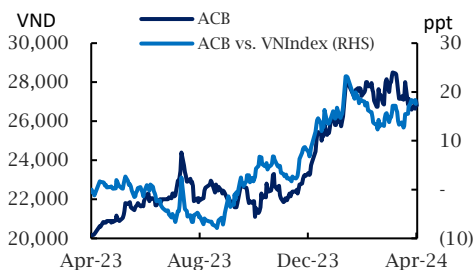


## BUY

**TP upside +27%**
**Close 26 Apr 2024**
**Current Price VND 26,650**
**12M Target VND 33,790**
**Share price performance relative to VNI**


<b>Market cap</b>	<b>US\$4.1 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$14 mn</b>
<b>Outstanding shares</b>	<b>3,884 mn</b>
<b>Free float</b>	<b>90.0%</b>
<b>FINI ownership</b>	<b>30.0%</b>
<b>Major shareholders</b>	<b>28.5%</b>
<b>2024E Asset/equity (x)</b>	<b>9.6x</b>
<b>2024E P/E (x)</b>	<b>5.4x</b>
<b>2024E P/B (x)</b>	<b>1.2x</b>
<b>FOL remaining room</b>	<b>0.0%</b>
<b>2024E dividend yield (%)</b>	<b>3.8%</b>

Source: FiinPro, Yuanta Vietnam

ACB's 1Q24 Results	1Q24	% QoQ	% YoY
NII (VND bn)	6,722	7%	8%
Net Fee Inc. (VND bn)	745	2%	19%
Adj. TOI (VND bn)	8,106	-3%	10%
Opex (VND bn)	2,764	-8%	10%
Provision (VND bn)	512	59%	100%
PATMI (VND bn)	3,905	-3%	-6%
NPL (%)	1.45%	24bps	48bps
LLR (%)	79%	-13ppt	-38ppt
CASA (%)	23.0%	1.0ppt	2.8ppt

Source: Company Data, Yuanta Vietnam

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## Asia Commercial Bank (ACB VN)

### Increased provisioning against rising NPLs

ACB posted 1Q24 PATMI of VND 3.9 tn (-3% QoQ/-6 YoY), which was due to higher provisioning. 1Q24 ACB's PBT result represents 22% of its full-year target and 20% of our 2024E forecast.

#### Details

**Credit increased by 3.8% YTD** in 1Q24, mainly attributable to corporate clients (+10% YTD).

**Net interest income increased by +7% QoQ/+8% YoY** to reach VND6.7 tn in 1Q24. We estimate annualized NIM on average assets was 3.72% (+4bps QoQ/-36bps YoY). ACB's CASA ratio expanded by +1.0ppt QoQ/+2.8ppt YoY to 23% in 1Q24, which helped NIM.

**Net fee income was up by +2% QoQ/+19% YoY** in 1Q24.

**Investment gains were -70% QoQ/ but +9.5x YoY** to reach VND400bn in 1Q24.

**Opex was -8% QoQ but +10% YoY** to reach VND2.8tn in 1Q24. ACB's adjusted CIR (ex-net other income) was 34.1% (-1.8ppt QoQ/flat YoY) in 1Q24, based on our calculations.

**Provisioning increased by 59% QoQ/+100% YoY.** This substantial expansion was driven by rising NPLs in 1Q24.

**Aggregate NPLs jumped by 25% YTD** to VND7.3 tn. As a result, the bank's NPL ratio increased by +24bps QoQ/+48bps YoY to 1.45%. ACB's LLR ratio decreased to 79% (-13ppt QoQ/-38ppt YoY).

#### Our view

**ACB's CASA ratio has trended up since 2Q23, which is especially advantageous** in a (probable) rising rate environment. We expect interest rates to increase as the SBV acts to support the VND, which would be reasonable given the rather strong GDP growth of 5.7% in 1Q24. This should cause near-term NIM compression at all the banks, including ACB, as funding costs will increase prior to asset yields.

**Asset quality trends are negative.** NPLs are rising across the sector, which we think is a lagging indicator of real estate market trends, and ACB is no exception. Management says that most of its new NPLs are not actually defaulted loans, but ACB recognizes them as NPLs due to borrower defaults at other banks (as reported by the CIC).

**ACB's LLR ratio of 79% indicates a potential need for higher provisioning** going forward, regardless of whether NPLs are really defaulted loans. But overall, asset quality is not a major concern given that the bank's NPL ratio of 1.45% is below sector's median 2%-plus.

**Reiterate BUY.** ACB trades at 1.2x 2024E P/B vs. the sector median of 1.1x. We believe ACB deserves a wider premium given its overall high quality. We forecast 2024E ROE of 24% vs. the sector median 18%. Our target price implies 2024E P/B of 1.5x and 12-month TSR of 31%.

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