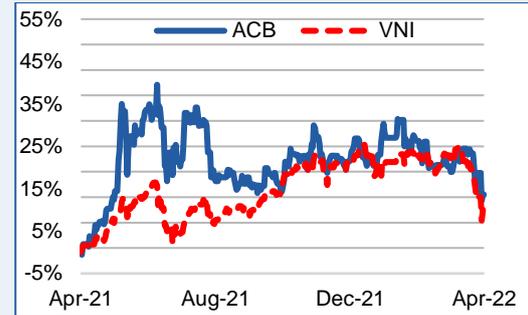


Industry:	Banking		2021	Q1 22	2022F
Report Date:	April 28, 2022	PPOP y/y	45.5%	10.8%	18.9%
Current Price:	VND30,900	NPAT y/y	25.0%	32.4%	46.5%
Target Price*:	VND44,200	EPS y/y	25.2%	3.4%	47.0%
Upside:	43%	NIM	4.01%	4.22%	3.99%
Dividend Yield:	0.0%	NPLs/loans	0.99%	0.83%	0.80%
TSR:	43%	CIR	34.9%	40.0%	34.6%
Rating*:	BUY	P/B	1.9x	1.7x	1.4x
		P/E	8.7x	N.M.	5.9x

* TP and rating last updated February 16, 2022

	USD3.6bn		ACB	Peers	VNI
Market Cap:	USD3.6bn	P/E (ttm)	8.7	9.7x	15.2x
Foreign Room:	USD0	P/B (curr)	1.9	1.8x	2.4x
ADTV30D:	USD6.4mn	ROE (ttm)	23.2%	21.7%	15.7%
State Ownership:	0.00%	ROA (ttm)	2.0%	1.7%	2.6%
Outstanding Shares:	2.702 bn				
Fully Diluted Shares:	2.702 bn				



Company Overview

Founded in 1993, ACB is the sixth largest bank among our coverage banks by total assets as of December 31, 2021. The bank primarily focuses on the retail and SME segments. ACB listed shares on HNX in November 2006 and moved to HSX in December 2020.

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ACB first to see major reversal of provisions from 2021

ACB released Q1 2022 results with TOI of VND6.85tn (USD297.8mn; +20.7% YoY) and bottom-line net profit of VND3.3tn (USD143mn; +32.4% YoY), achieving 24.6% and 23.4% of our FY2022 forecasts, respectively. The increase in NPAT was due to (1) a 17.3% YoY increase in NII, (2) 18.2% YoY rise in NFI (including FX trading) and (3) a more than 6x YoY surge in net other income, which were offset by a 39.3% YoY increase in OPEX that made CIR climb 5.4 ppts YoY. Loans and deposits in Q1 2022 grew 5.0% and 1.6% and advanced 0.9 ppts and 1.9 ppts relative to 2021, respectively. We currently foresee no material change to our current forecasts and/or target price for ACB, pending a fuller review.

NIM edged down 7 bps YoY in Q1 2022 to 4.22% but is currently tracking ahead of our 2022F of 3.99%. ACB reported Q1 2022 NIM of 4.22%, which was mainly due to a 67-bp YoY drop in IEA yields that outpaced a 59-bp YoY decrease in cost of funds. We believe the small drop in NIM was due to (1) a reduction in yield from loans to customers and credit institutions (8.3% in Q1 2022 vs 8.79% in Q1 2021) and (2) a higher weighting of less profitable balances with the State Bank of Vietnam (SBV) and other credit institutions (13.5% in Q1 2022 vs 9.8% in Q1 2021 as a proportion of interest earning assets). The YoY drop in COF was in large part driven by a 4.9-ppt YoY increase in CASA ratio.

Trading securities had a negative net gain on a quarterly basis for first time since 2019. Q1 2022 experienced a negative gain of VND11.2bn vs positive gain of VND113bn in Q1 2021, which was due to provisioning for the devaluation of Government bonds because of rising rates. Given the passage of Circular 24/2022, ACB will likely reverse these provisions in future quarters.

Growth in OPEX outpaced growth in TOI, increasing CIR 40% for Q1 2022. In Q1 2022, TOI increased 20.7% YoY while OPEX jumped 39.3% YoY, which caused CIR to climb to 40%. A 25% YoY increase in salary expenses and 21.6% YoY increase in administration costs were the main drivers for the Q1 2022 increase in OPEX.

Provision expenses saw a VND136bn reversal in Q1 2022 that we suspect was most likely a reversal of provisioning related to restructured loans. ACB's NPL ratio also declined by 9 bps YoY to 0.83% — close to 2021's average. Nevertheless, this level is relatively low compared to ACB's peers. However, it is notable that Group 5 loans increased VND554bn (+40% QoQ) to VND1,934bn in Q1 2022, but they still are relatively low at 0.5% of gross loans. Group 2 loans

relative to gross loans decreased to 0.43% in Q1 2022 (-10 bps QoQ and +11 bps YoY). Q1 2022 accrued interest over IEAs was 0.59% (-3 bps QoQ and -12 bps YoY). Q1 2022 LLR was 184% (-21.2 ppts QoQ and +67.6 ppts YoY). ACB wrote off only VND431mn in Q1 2022, a diminutive write-off rate that is typical for the bank.

Figure 1: ACB's consolidated Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY
NII	4,640	5,441	17.3%
Non-interest income	1,036	1,409	36.0%
OPEX	(1,965)	(2,739)	39.3%
PPOP	3,710	4,111	10.8%
Provision expenses	(606)	3	N.M
NPAT-MI	2,483	3,288	32.4%
Loan growth**	4.1%	5.0%	0.9 ppts
Deposit growth**	-0.3%	1.6%	1.9 ppts
NIM	4.29%	4.22%	-7 bps
Interest earning asset yield	7.69%	7.02%	-67 bps
Cost of funds	3.71%	3.12%	-59 bps
CASA ratio*	22.1%	26.9%	4.9 ppts
CASA ratio plus term deposits in FX	23.3%	27.9%	4.7 ppts
CIR	34.6%	40.0%	5.4 ppts
NPLs/gross loans	0.92%	0.83%	-9 bps
Group 2 loans/gross loans	0.32%	0.43%	11 bps
Accrued interest/ IEAs	0.71%	0.59%	-12 bps

Source: ACB, VCSC; *CASA volume includes demand deposits and margin deposits; ** Q1 2021 and Q1 2022 loan and deposit growth are QoQ.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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