Shinhan Securities



Asia Commercial Bank

[Vietnam / Banking]

Bloomberg Code (ACB VN) | Reuters Code (ACB.HM)

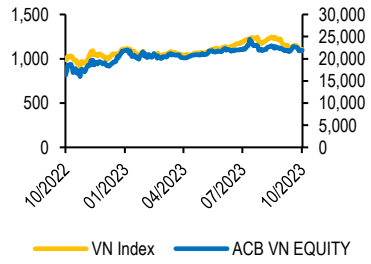
BUY

Update report

Target price (2024)	**VND 31,800**
Current price (24/10/23)	VND 21,900
Upside/downside	45.2%

VNINDEX		1,106
P/E thị trường (23F, x)		11.5
Market Cap (bn VND)		85,061
Outstanding shares (mn)		3,884
Free-Floating (mn)		2,948
Free floating (%)		75.9
52-Wk High/Low (VND)		15,300/24,400
90-day avg. trading volume (mn)		7.88
90-day avg. turnover (bn VND)		183
Foreign ownership (%)		1.3
Major shareholders (%)	Whistler Investment	4.0

Performance	3T	6T	12T
Absolute (%)	-0.7	4.1	29.2
Relative to VN-Index (%)	6.8	-2.8	18.3



Source: Bloomberg

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Credit growth picked up in Q3

Updated with BUY recommendation, target price VND 31,800

ACB's strategic orientation is to be the top retail bank in Vietnam. This is also a bank with a conservative development strategy, do not invest in corporate bonds. In terms of asset quality, this bank is one of the first banks to complete BASEL III standards. ACB has good credit growth record and is increasingly improving its business operations. With the residual income (RI) method and comparison method based on P/B, we update the target price for ACB in 2024 to reach 31,800 VND, potential upside at 45.2%.

Business results Q3/2023

ACB's total credit in the first 9 months of the year increased by 8.71% Ytd, a sharp increase compared to growth rate of 4.91% at Q2/2023. Customer deposit balance increased by 7.62%, (4.46% at the end of Q2/2023). Contrary to our expectations, ACB's CASA decreased from 20.67% in Q2/2023 to 19.37% at the end of Q3/2023. ACB's asset yield (IAE) in Q3/2023 decreased faster than the rate of decrease in cost of capital (COF), causing ACB's NIM to continue to shrink this quarter. ACB's Annualized NIM decreased by 16bps QoQ. TTM NIM up to Q3/2023 decreased slightly to 4.13%. Net interest income in Q3/2023 reached VND 6,209.13 billion, down slightly by 0.6% QoQ (+2.93% YoY). Although ACB's fee segment decreased by 11.9% YoY, ACB was able to realize profit from trading investment securities, reaching 882 billion VND (compared to a loss of VND 1.5 billion in the same period). Thereby helping non-interest income reached VND2,515 billion (+109% YoY). Total opearting income growth in Q3/2023 reached 8,424 billion VND (+18.8% YoY). ACB's non-performing loan ratio at the end of Q3/2023 increased slightly to 1.2%, from 1.06% at the end of Q2/2023. Provision expense in Q3/2023 were recorded at VND 521 billion (-35% QoQ). Profit before tax in Q3/2023 reached VND5,035 billion (+12.5% YoY). Cumulative 9 months, ACB's PBT reached VND15,024 billion, reaching 75% of the whole year 2023 plan.

Outlook for 2023-2024

With positive signs of ACB's credit growth in Q3/2023, non-performing loan increased at much slower rate than the banking industry. In addition, trading investment securities segment benefiting from reduced interest rates can help ACB's PBT in 2023 reach a level of VND 18,627 billion (+9% YoY). We expect credit growth to be better for 2024, NIM will maintain and likely improve slightly, helping ACB's PBT next year reach VND 22,553 billion (+21% YoY).

Risk: (1) Economic growth is slower than forecast; (2) Rapidly increasing non-performing loan puts pressure on risk provision expenses.

Year	2020	2021	2022	2023F	2024F
Interest income (VNDbn)	14,582	18,945	23,534	26,022	29,386
Non-interest income (VNDbn)	3,579	4,619	5,257	6,964	8,803
Total operating income (VNDbn)	**18,161**	**23,564**	**28,790**	**32,986**	**38,188**
Provision and other expenses (VNDbn)	(8,565)	(11,566)	(11,676)	(14,359)	(15,635)
Profit before tax (VNDbn)	**9,596**	**11,998**	**17,114**	**18,627**	**22,553**
Credit growth (%)	15.92%	16.19%	14.31%	12.00%	14.00%
NIM (%)	3.66%	4.01%	4.26%	4.20%	4.24%
ROE (%)	24.31%	23.90%	26.49%	**23.80%**	**24.81%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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Outlook for 2023-2024

Year	9M2023	% yoy	2023F	% yoy	2024F	%yoy	Note
Net Interest Income (VNDbn)	18,670	*9.3%*	26,022	10.6%	29,386	12.9%	We expect ACB's NIM in Q4 to improve slightly. Credit growth continues the improving momentum of Q3, helping ACB's favorable interest income in 2023 increase by about 10.6%. In 2024, ACB's interest income can reach a growth rate of 12.9% YoY.
Non-interest Income (VNDbn)	5,698	*50.55%*	6,964	32.5%	8,803	26.4%	ACB's non-interest income in 2024 will grow better thanks to the recovery of fee revenue, grow at 26.4% YoY.
Total Operating Income (VNDbn)	24,368	*16.8%*	32,986	14.6%	38,188	15.8%	Total operating income in 2024 recovers well and reaches an increase of about 15.8% YoY.
Profit Before Tax (VNDbn)	15,024	*-11.3%*	18,627	8.8%	22,553	21.1%	ACB's non-performing loan provisioning expenses in 2024 may face less pressure, helping PBT achieve positive growth of 21.1%.
Net Income (VNDbn)	12,038	*11.3%*	14,902	8.9%	18,042	21.1%	
Non-performing ratio- NPL (%)	1.2%		1.2%		1.0%		ACB's non-performing loan in the last 2 quarters increased more slowly than the industry average. With assuming trend to be continue, we expect NPL ratio in 2023 remains at 1.2% before decreasing to 1% in 2024.
Loan Loss Coverage Ratio – LLR (%)	94.6%		100%		100%		We assume the loan losss coverage ratio is maintained around 100%.
Total Credit Growth – Ytd (%)	*8.7%*		*12.0%*		*17.0%*		ACB's credit growth in 2024 is forecast to reach 17.0%, returning to average credit growth.
Customer Deposit Growth – Ytd (%)	*7.6%*		*11.0%*		*15.0%*		
Net Interest Margin – NIM (TTM %)	*4.13%*		*4.20%*		*4.24%*		An improvement in CASA ratio and low interest rates in the first half of 2024 can help ACB's NIM gradually improve and reach 4.24%.

Valuations and recommendations

Valuation

We use the residual income (RI) method and the P/B valuation method with a proportion of 40%-60% respectively.

The target price for the stock for 2024 is 31,800 VND.

1) In the short term, we cautiously use the P/B index at 1.4x (below the 5-year trading average) to value ACB shares due to cautious investor sentiment. With BVPS forecast for 2024 at 20,250 VND, ACB's target price for 2024 is expected to be 28,350 VND.

2) For the residual income method, the stock price for 2024 falls at 36,920 VND.

Cost of Equity (%)	
Cost of Equity (%)	**15.4**
Risk-free rate (%)	3.0
Equity risk premium (%)	9.57
Beta	1.3

RI Method

(Unit: VNDbn)	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Cost of equity	**15.4**	**15.4**	**15.4**	**15.4**	**15.4**
Cost of equity after 2026					**15.4**
Net income	14,902	18,042	21,692	25,705	30,117
Residual income (RI)	5,233	6,813	8,355	9,681	10,769
PV of RI	**5,233**	**5,902**	**6,270**	**6,293**	**6,064**

Terminal value of RI (VNDbn)	**92,490**
Terminal growth (%)	2.00%
PV of terminal value (VNDbn	52,078
PV of RI (bn VND))	24,528
Beginning equity (bn VND)	66,792
Total value (bn VND)	**143,398**
Total outstanding shares (bn)	3.9
Target price (VND)	**36,920**

Valuation Summary

Method	Weight	Price target (VND)
Residual income	40%	**36,920**
P/B target (1.0x)	60%	**28,350**
Target price (VND)	**31,778**	

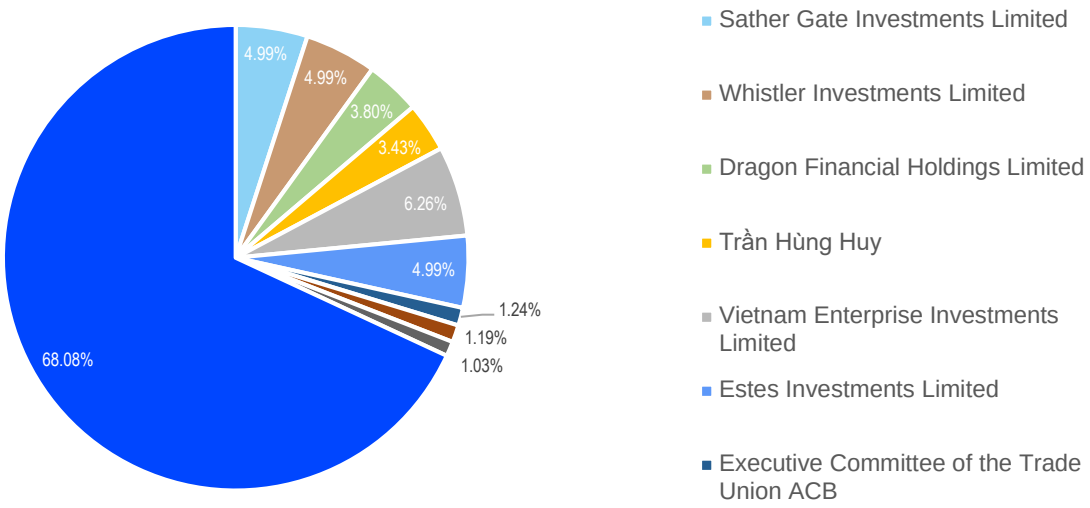
Source: Shinhan Securities Vietnam

Business overview

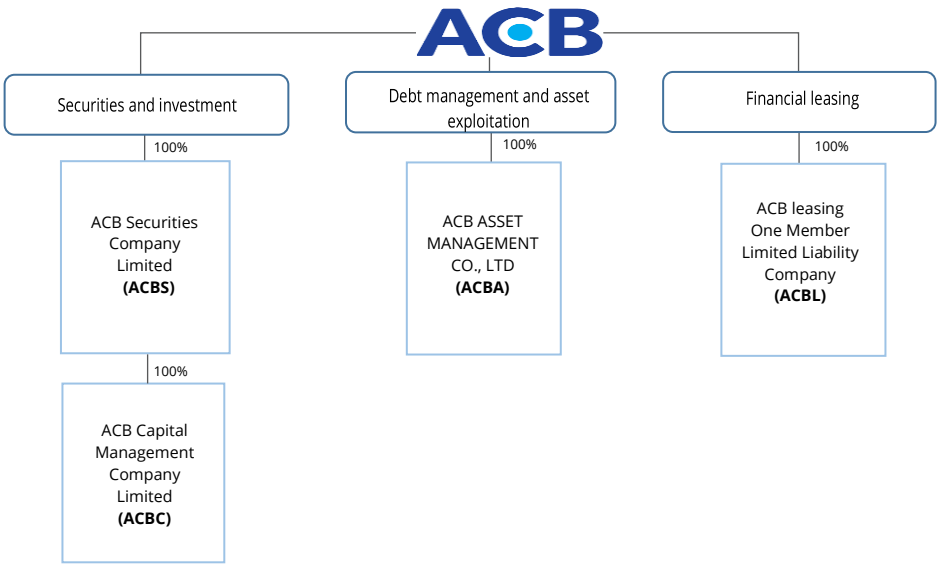
Company history

ACB was established under license number 0032/NH-GP issued on April 24, 1993 and officially went into operation on May 13, 1993. ACB was listed at the Hanoi Stock Exchange, later Hanoi Stock Exchange (HNX) on November 21, 2006. On December 9, 2020, ACB officially transferred trading to the Ho Chi Minh City Stock Exchange. Ho Chi Minh (HOSE).

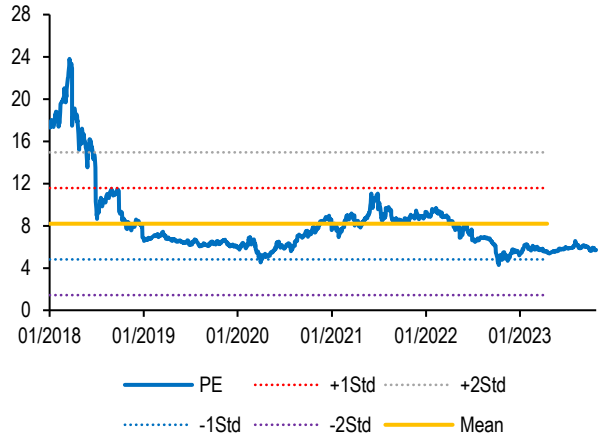
ACB's shareholder structure at the end of Q2/2023



Subsidiaries of ACB

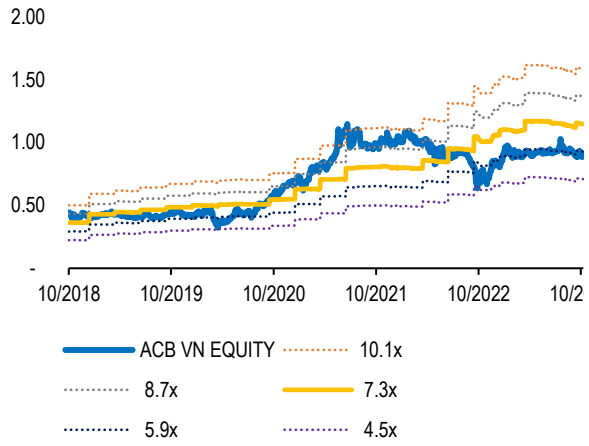


PER of ACB



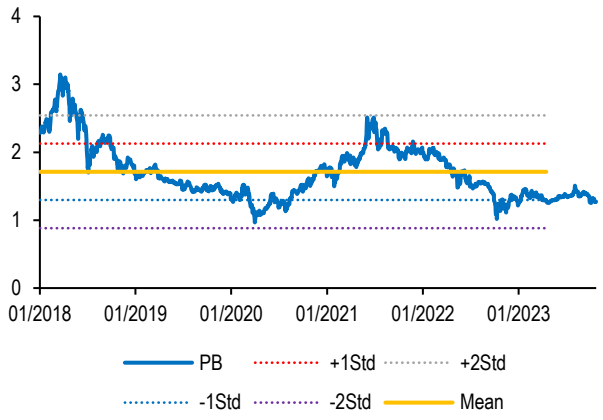
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of ACB



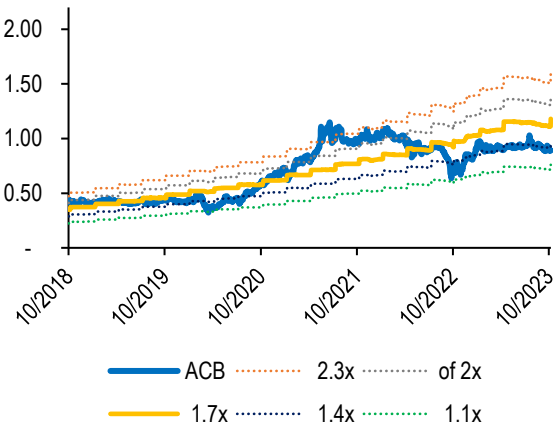
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of ACB



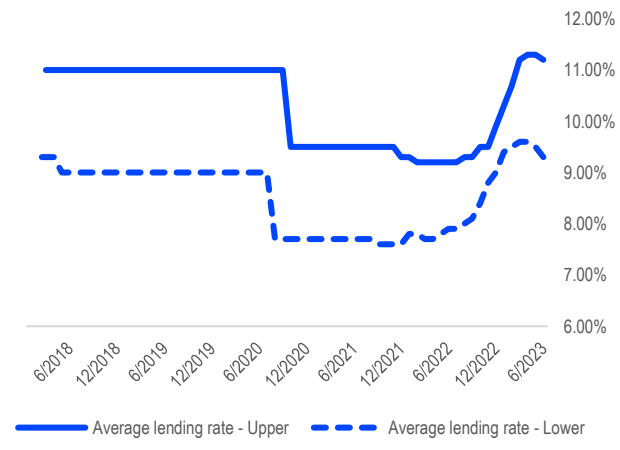
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PBR band of ACB



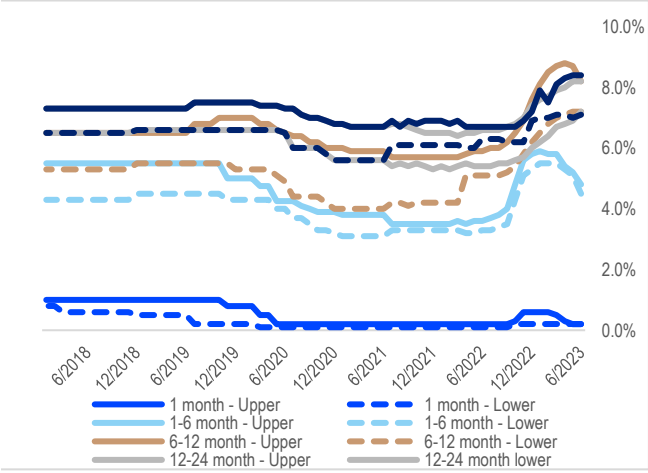
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



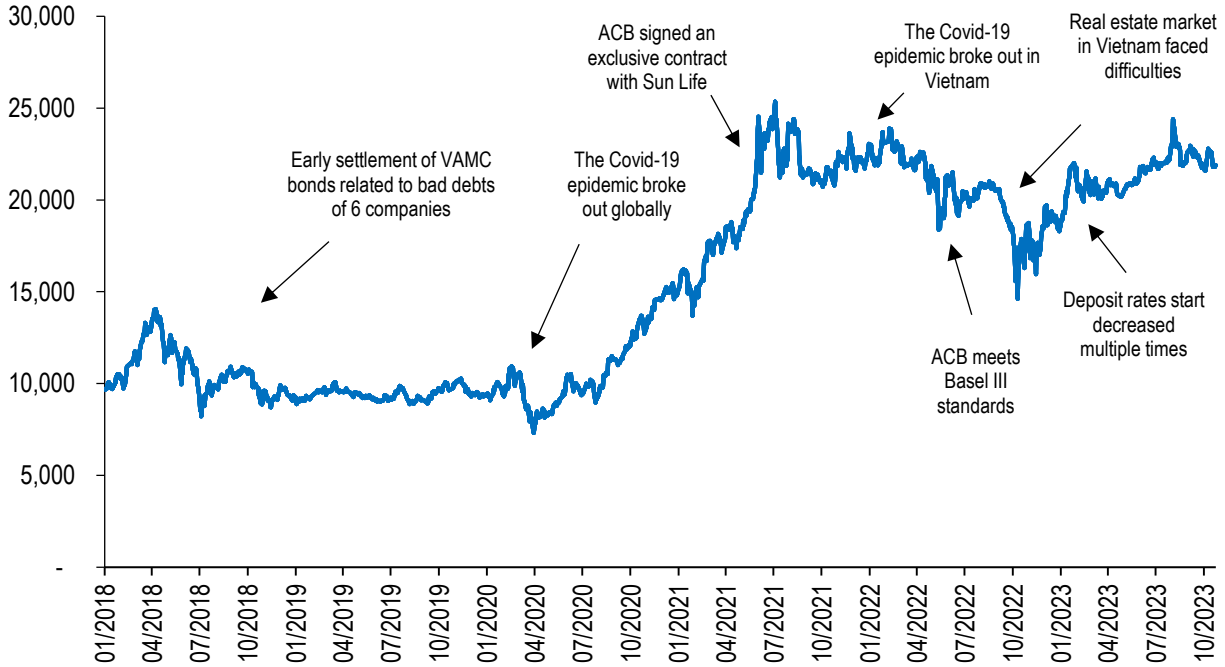
Source: SBV, Company Data, Shinhan Securities Vietnam

Average deposit interest rate in Vietnam



Source: SBV, Company Data, Shinhan Securities Vietnam

ACB important events



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Appendix: Financial statements

Balance sheet

Year (bn VND)	2020	2021	2022	2023F	2024F
Total assets	**444,530**	**527,770**	**607,875**	**675,624**	**752,392**
Cash and precious metals	6,968	7,510	8,461	15,500	6,878
Balances with the SBV	16,617	32,350	13,658	7,939	8,734
Placements with and loans to other credit institutions	31,671	49,819	85,971	94,942	104,662
Trading securities	6,168	11,260	1,131	1,528	2,043
Derivatives and other financial assets	54	227	100	100	100
Loans and advances to customers	308,529	356,051	408,857	457,864	521,965
Debts purchase	-	-	-	-	-
Investment securities	63,399	59,475	75,535	82,524	91,478
Long-term investments	99	172	147	162	178
Fixed assets	3,783	3,763	3,981	4,352	4,755
Investment properties	349	216	177	177	177
Other assets	6,893	6,929	9,858	10,538	11,423
Total liabilities	**409,082**	**482,869**	**549,437**	**608,832**	**673,740**
Due to Gov and Loans from SBV	-	-	506	607	728
Deposits and Loans from other credit institutions	23,875	54,394	67,841	75,409	85,870
Deposits from customers	353,196	379,921	413,953	459,488	510,031
Derivatives and other financial liabilities	-	-	-	-	-
Funds received from Gov, international and other institutions	117	86	60	60	60
Convertible bonds/CDs and other	22,050	30,548	44,304	55,380	63,688
Other liabilities	9,844	17,920	22,772	17,888	13,362
Shareholder's equity	**35,448**	**44,901**	**58,439**	**66,792**	**78,653**
Capital	21,887	27,291	34,046	34,046	34,046
Reserves	5,742	7,164	9,220	10,272	12,223
Retained earnings	7,819	10,445	15,172	22,474	32,383
Minority interest	-	-	-	-	-
Total liabilities and equity	**444,530**	**527,770**	**607,875**	**675,624**	**752,392**

Income statement

Year (bn)	2020	2021	2022	2023F	2024F
Interest and Similar Income	31,856	33,714	40,699	46,721	52,752
Interest and Similar Expenses	(17,274)	(14,769)	(17,165)	(20,699)	(23,366)
Net Interest Income	**14,582**	**18,945**	**23,534**	**26,022**	**29,386**
Net Fee and Commission Income	1,695	2,894	3,526	4,092	4,833
From foreign currency and gold	687	872	1,048	1,363	1,772
From trading of trading securities	167	450	(388)	183	220
From disposal of investment securities	732	244	21	21	21
Net Fee and Commission Income	280	139	990	1,246	1,899
Dividends income	19	20	59	59	59
Total non-interest income	**3,579**	**4,619**	**5,257**	**6,964**	**8,803**
Total operating income	**18,161**	**23,564**	**28,790**	**32,986**	**38,188**
General and Admin expenses	(7,624)	(8,230)	(11,605)	(12,661)	(14,063)
Operating Profit Before Provision (PPOP)	10,537	15,334	17,185	20,325	24,125
Provision for credit losses	(941)	(3,336)	(71)	(1,698)	(1,572)
Profit before tax	**9,596**	**11,998**	**17,114**	**18,627**	**22,553**
Corporate income tax	(1,913)	(2,395)	(3,426)	(3,725)	(4,511)
Net profit after tax	**7,683**	**9,603**	**13,688**	**14,902**	**18,042**
Attributable to parent company	7,683	9,603	13,688	14,902	18,043

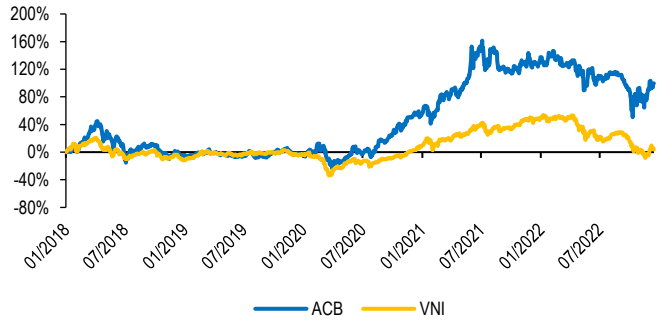
Financial indicators

Year	2020	2021	2022	2023F	2024F
Growth (% YoY)					
Loans to customers	15.92	16.19	14.31	12.00	14.00
Deposits from customers	14.63	7.57	8.96	11.00	11.00
Shareholders' equity	27.67	26.67	30.15	14.29	17.76
Total assets	15.91	18.73	15.18	11.15	11.36
Net interest income	20.39	29.92	24.22	10.57	12.92
Net non-interest income	-10.19	29.06	13.80	32.48	26.40
PPOP	35.27	45.53	12.07	18.27	18.69
Net profit before tax	27.67	25.03	42.64	8.84	21.08
Net profit after tax	27.84	24.99	42.54	8.87	21.08
Profitability (%)					
NIM	3.66	4.01	4.26	4.20	4.24
ROA	1.86	1.98	2.41	2.32	2.53
ROE	24.31	23.90	26.49	23.80	24.81
Liquidity (%)					
Pure LDR	88.2	95.3	99.9	100.8	103.6
Asset quality					
Leverage (x)	12.54	11.75	10.40	10.12	9.57
NPL ratio (%)	0.59	0.77	0.74	1.20	1.00
LLR ratio (%)	160.3	209.4	159.3	100	100
Reverse/total credit (%)	0.95	1.62	1.17	1.18	1.18
Credit costs/total loans (%)	0.30	0.92	0.02	0.37	0.30
Credit costs/total credit (%)	0.30	0.92	0.02	0.37	0.30
Per share items (VND)					
EPS	3,554	3,554	4,053	4,412	5,342
BPS	16,399	16,618	17,303	19,776	23,288
PPOP/Share	4,875	5,675	5,088	6,018	7,143

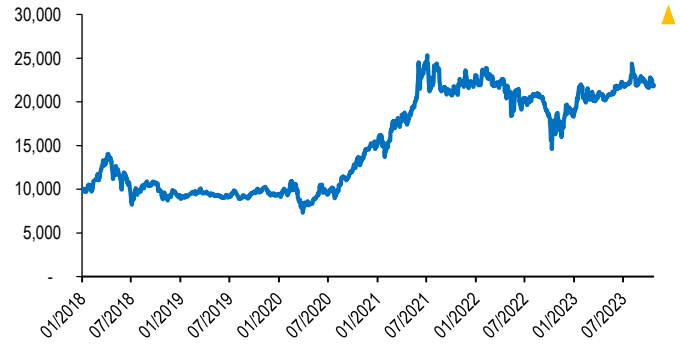
Source: Company data, Shinhan Securities Vietnam

Asia Commercial Bank (ACB VN)

Price performance



Target price (VND)



Date	Recommendation	Target price (VND)	Range of price (%) Average	Max/Min
30/04/2023 (Initial)	BUY	29,200	47.0	20/91
25/10/2023 (Update)	BUY	31,800	60.2	30/107

Note: Calculation of target price gap based on the past 12 months

Shinhan Securities Vietnam

Stock	Industry
◆ **BUY:** Upside potential in 12 months more than 15% ◆ **HOLD:** Upside potential in 12 months from -15% to 15% ◆ **SELL:** Upside potential in 12 months more than -15%	◆ **POSITIVE:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **NEGATIVE:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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