Shinhan Securities



Asia Commercial Bank

[Vietnam / Banking]

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

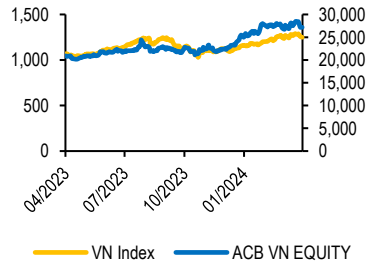
BUY

Update report

Target price (2024)	**VND 34,900**
Current price (08/04/23)	VND 27,150
Upside/downside	28.5%

VNINDEX	1,255
P/E thị trường (23F, x)	11.6
Market Cap (bn VND)	105,452
Outstanding shares (mn)	3,884
Free-Floating (mn)	3,113
Free floating (%)	80.1
52-Wk High/Low (VND)	20,826/28,950
90-day avg. trading volume (mn)	10.09
90-day avg. turnover (bn VND)	311
Foreign ownership (%)	30.0
Major shareholders (%)	Sather Gate 4.99

Performance	3T	6T	12T
Tuyệt đối (%)	7.1	24.5	24.6
Tg đối với VN-Index (%)	-0.7	13.7	7.8



Source: Bloomberg

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Positive start to Q1/2024

Updated with BUY recommendation, target price VND 34,900

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 34,900 VND, potential upside at 28.5%.

2024 Shareholders' Meeting Updates

Q1/2024 business results update: ACB reports positive credit growth of approximately 3.7% ytd (growth in both retail and corporate segments) and customer deposit grew at 2.1% ytd. ACB's NIM continued to improve slightly compared to the end of 2023, CASA rose to 23%. acb's Q1/2024 pre-tax profit is estimated at VND4,900 billion (-5% yoy) due to increased provision expenses and no extraordinary income as in Q1/2023.

At the meeting, ACB approved its annual plan with some key growth targets: total assets (+12% YoY), deposits (+11% YoY), customer loans (+14% YoY), NPL ratio below 2% and PBT of VND 22,000 billion (+10% YoY). ACB will pay a cash dividend of 10% and a stock dividend of 15%.

ACB said its 3-year development plan will continue to focus on the retail and SME segments, while also strengthening the large corporate segment. The bank will continue to maintain its policy of not investing in corporate bonds in the near future. The bank's target ROE is around 20-25% in the next 3-5 years. In terms of interest rates, ACB's management believes that interest rates will remain stable at low levels before rising slightly in the second half of 2024. The current average lending rate for businesses is around 4-6% and for individuals is around 6-8%.

Outlook for 2024

We forecast that ACB's credit growth in 2024 could reach a healthy 15% level. The NPL ratio is expected to be controlled at 1.3%, while NIM will edge up slightly to 4.04% (from 3.93% at the end of Q4/2023). Net fee and commission income could decline slightly by -6.94% YoY. This is due to the expectation that the bancassurance segment will recover slowly, while the low yield environment for bonds will make it difficult for ACB to recognize profits from government bond trading in 2024. We forecast ACB's PBT to reach VND 22,096 billion (+10.1% YoY).

Risk: (1) Credit growth increased slower than expected.; (2) Interest rate fluctuations prevented ACB's NIM from improving; (3) Risk provisioning expenses increased more strongly than expected.

Year	2020	2021	2022	2023	2024F
Interest income (VNDbn)	14,582	18,945	23,534	24,960	29,741
Non-interest income (VNDbn)	3,579	4,619	5,257	7,787	7,249
Total operating income (VNDbn)	**18,161**	**23,564**	**28,790**	**32,747**	**36,990**
Provision and other expenses (VNDbn)	(8,565)	(11,566)	(11,676)	(12,679)	(14,894)
Profit before tax (VNDbn)	**9,596**	**11,998**	**17,114**	**20,068**	**22,096**
Credit growth (%)	15.92%	16.19%	14.31%	17.86%	15.00%
NIM (%)	3.66%	4.01%	4.26%	3.93%	4.04%
ROE (%)	**24.31%**	**23.90%**	**26.49%**	**24.39%**	**22.65%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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Outlook for 2024

Year	2024F	%yoy	Note
Net Interest Income (VNDbn)	29,741	19.2%	According to the management's disclosure, ACB's NIM (Net Interest Margin) continued to improve in Q1/2024. Credit growth reached 3.7% Ytd (compared to negative growth of -0.6% in Q1/2023). CASA (Current Account Saving Account) continued its upward trend and returned to 23% level. We expect ACB to fully utilize the 15% credit room granted by the SBV (State Bank of Vietnam) in early 2024 and achieve a full-year NIM of 4.04%.
Non-interest Income (VNDbn)	7,249	-6.9%	ACB cautiously believes that the fee segment from bancassurance will not see much growth in 2024. The likely slight increase in interest rates in the second half of 2024 will also not support the recognition of profits from ACB's investment securities trading in 2024. The trend of cashless payments, along with ACB's expected addition of underwriting and bank custody services in Q3/2024, could support fee income growth in 2024. In addition, ACB may recognize increased income from asset sales following a period of increased bad debts in 2023.
Total Operating Income (VNDbn)	36,990	13.0%	Total operating revenue in 2024 is expected to continue to grow by double digits, with a focus on the recovery of net interest income.
Profit Before Tax (VNDbn)	22,096	10.1%	We assume ACB's CIR (Cost-to-Income Ratio) to be at 33% and credit cost/loan balance in 2024 to increase to 0.5% (from 0.4% in 2023). NPAT (Net Profit After Tax) is therefore projected to grow at 10.1%, in line with ACB's 2024 target plan.
Net Income (VNDbn)	17,676	10.2%	
Non-performing ratio- NPL (%)	1.3%		ACB's non-performing loans (NPL) increased slightly in Q1/2024, but we believe the bank can maintain its NPL ratio around 1.3% in 2024. We assume the NPL coverage ratio will increase to above 100% in 2024 due to the recovery of net interest income.
Loan Loss Coverage Ratio – LLR (%)	110%		We assume the Loan loss coverage ratio will increase to above 100% in 2024 due to the recovery of net interest income.
Total Credit Growth – Ytd (%)	*15.0%*		ACB's credit growth in 2024 is projected to reach 15.0%, in line with the credit room granted.
Customer Deposit Growth – Ytd (%)	*14.0%*		
Net Interest Margin – NIM (TTM %)	*4.04%*		We believe ACB's CASA (Current Account Saving Account) ratio could reach 24% by the end of 2024, and the stable interest rate environment will help ACB improve its NIM (Net Interest Margin) for 2024.

Valuations and recommendations

Valuation

We use the residual income (RI) method and the P/B valuation method with a proportion of 20%-80% respectively.

The target price for the stock for 2024 is 34,900 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 21,909 VND, ACB's target price for 2024 is expected to be 30,673 VND.

2) For the residual income method, the stock price for 2024 falls at 51,830 VND.

Cost of Equity (%)	
Cost of Equity (%)	**12.4**
Risk-free rate (%)	2.5
Equity risk premium (%)	9.00
Beta	1.1

RI Method					
(Unit: VNDbn)	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Cost of equity	**12.4**	**12.4**	**12.4**	**12.4**	**12.4**
Cost of equity after 2026					**12.4**
Net income	17,676	22,663	26,007	30,444	34,972
Residual income (RI)	8,001	10,987	11,917	13,554	14,837
PV of RI	**7,118**	**8,697**	**8,392**	**8,492**	**8,270**

Terminal value of RI (VNDbn)	**160,359**
Terminal growth (%)	2.00%

PV of terminal value (VNDbn	89,384
PV of RI (bn VND))	40,969
Beginning equity (bn VND)	70,956
Total value (bn VND)	201,310
Total outstanding shares (bn)	3.9
Target price (VND)	**51,830**

Valuation Summary		
Method	Weight	Price target (VND)
Residual income	20%	**51,830**
P/B target (1.4x)	80%	**30,673**
Target price (VND)		**34,900**

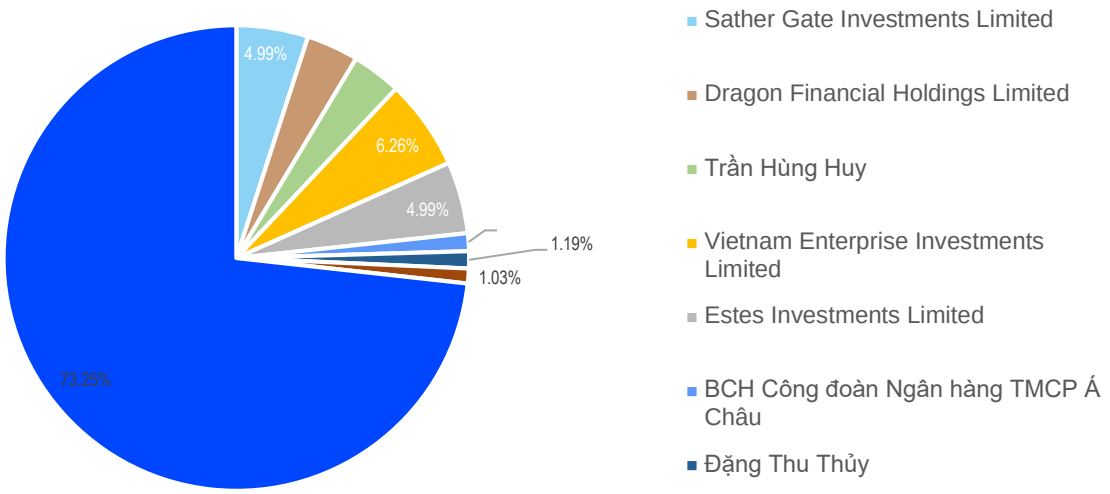
Source: Shinhan Securities Vietnam

Business overview

Company history

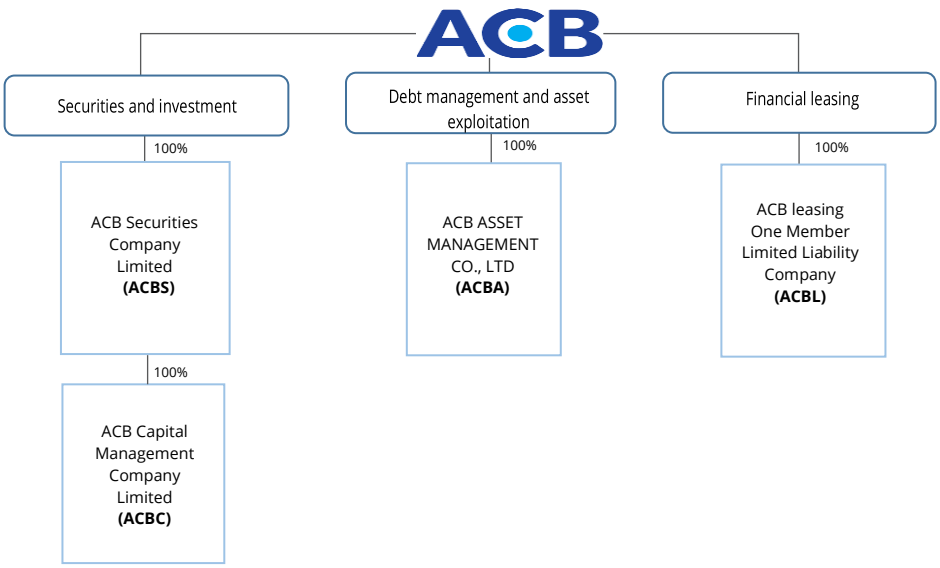
ACB was established under license number 0032/NH-GP issued on April 24, 1993 and officially went into operation on May 13, 1993. ACB was listed at the Hanoi Stock Exchange, later Hanoi Stock Exchange (HNX) on November 21, 2006. On December 9, 2020, ACB officially transferred trading to the Ho Chi Minh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

ACB's shareholder structure at the end of Q1/2024

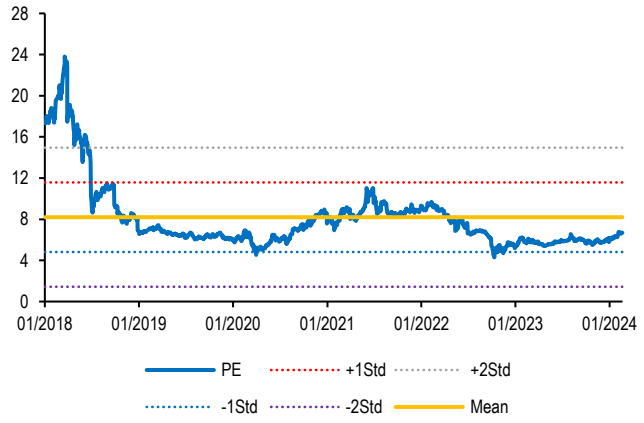


There was a change in ACB's shareholder structure at the end of Q1/2024 with regards to the ownership percentage of Whistler Investment Limited. Accordingly, this fund has divested all of its shares after the trading session on March 28, 2024.

Subsidiaries of ACB

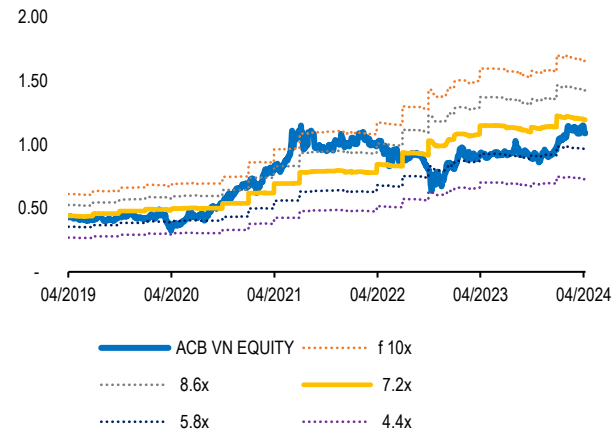


PER of ACB



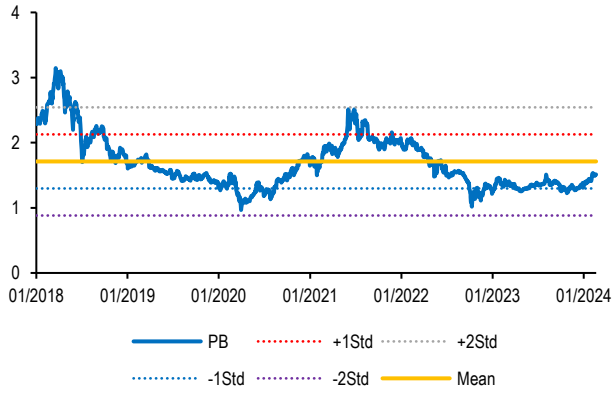
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of ACB



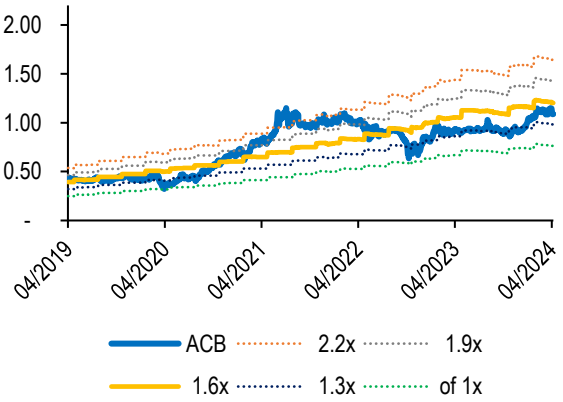
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PBR of ACB



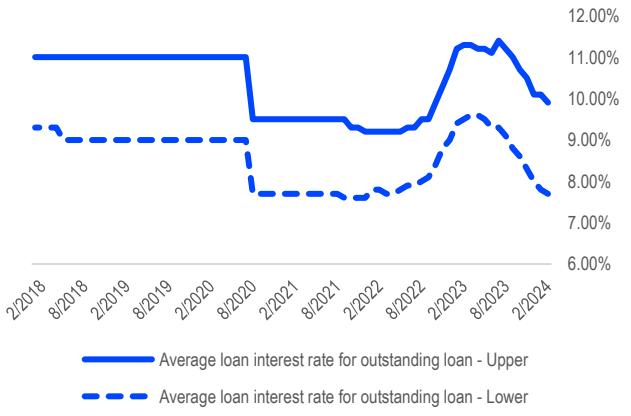
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of ACB



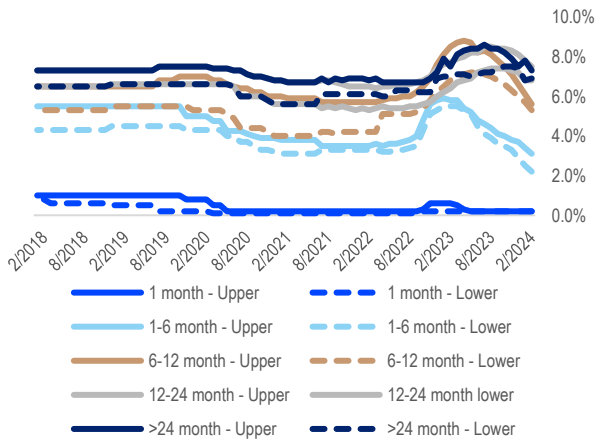
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



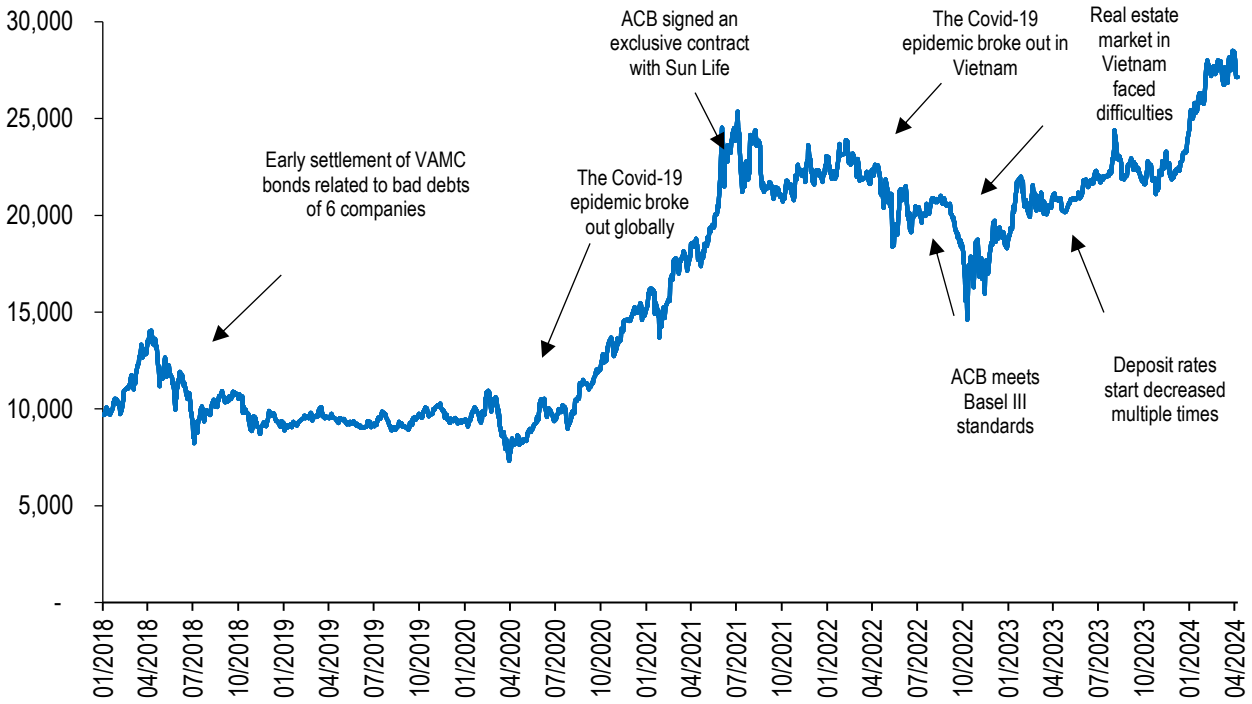
Source: SBV, Company Data, Shinhan Securities Vietnam

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	2023	2024F
Total assets	**444,530**	**527,770**	**607,875**	**718,795**	**788,209**
Cash and precious metals	6,968	7,510	8,461	6,909	4,402
Balances with the SBV	16,617	32,350	13,658	18,505	22,011
Placements with and loans to other credit institutions	31,671	49,819	85,971	114,874	104,398
Trading securities	6,168	11,260	1,131	7,177	7,177
Derivatives and other financial assets	54	227	100	-	-
Loans and advances to customers	308,529	356,051	408,857	482,235	554,297
Debts purchase	-	-	-	-	-
Investment securities	63,399	59,475	75,535	73,463	77,954
Long-term investments	99	172	147	140	140
Fixed assets	3,783	3,763	3,981	4,763	4,990
Investment properties	349	216	177	177	177
Other assets	6,893	6,929	9,858	10,552	12,662
Total liabilities	**409,082**	**482,869**	**549,437**	**647,839**	**703,112**
Due to Gov and Loans from SBV	-	-	506	-	-
Deposits and Loans from other credit institutions	23,875	54,394	67,841	89,507	57,558
Deposits from customers	353,196	379,921	413,953	482,703	550,281
Derivatives, Funds received from Gov, international and other institutions	117	86	60	159	159
Convertible bonds/CDs and other	22,050	30,548	44,304	52,410	68,133
Other liabilities	9,844	17,920	22,772	23,060	26,981
Shareholder's equity	**35,448**	**44,901**	**58,439**	**70,956**	**85,097**
Capital	21,887	27,291	34,046	**39,112**	39,112
Reserves	5,742	7,164	9,220	11,557	14,218
Retained earnings	7,819	10,445	15,172	20,286	31,767
Minority interest	-	-	-	-	-
Total liabilities and equity	**444,530**	**527,770**	**607,875**	**718,795**	**788,209**

Income statement

Year (bn)	2020	2021	2022	2023	2024F
Interest and Similar Income	31,856	33,714	40,699	52,347	57,846
Interest and Similar Expenses	(17,274)	(14,769)	(17,165)	(27,387)	(28,106)
Net Interest Income	**14,582**	**18,945**	**23,534**	**24,960**	**29,741**
Net Fee and Commission Income	1,695	2,894	3,526	2,922	3,669
From foreign currency and gold	687	872	1,048	1,110	1,310
From trading of trading securities	167	450	(388)	168	-
From disposal of investment securities	732	244	21	2,647	379
Net Fee and Commission Income	280	139	990	863	1,834
Dividends income	19	20	59	76	57
Total non-interest income	**3,579**	**4,619**	**5,257**	**7,787**	**7,249**
Total operating income	**18,161**	**23,564**	**28,790**	**32,747**	**36,990**
General and Admin expenses	(7,624)	(8,230)	(11,605)	(10,874)	(12,288))
Operating Profit Before Provision (PPOP)	10,537	15,334	17,185	21,872	24,702
Provision for credit losses	(941)	(3,336)	(71)	(1,804)	(2,606)
Profit before tax	**9,596**	**11,998**	**17,114**	**20,068**	**22,096**
Corporate income tax	(1,913)	(2,395)	(3,426)	(4,023)	(4,419)
Net profit after tax	**7,683**	**9,603**	**13,688**	**16,045**	**17,676**
Attributable to parent company	7,683	9,603	13,688	16,045	17,676

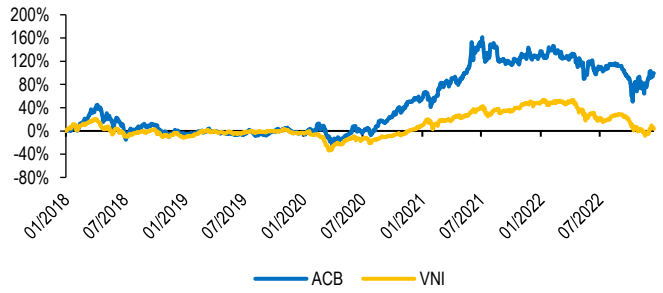
Financial indicators

Year	2020	2021	2022	2023	2024F
Growth (% YoY)					
Loans to customers	15.92	16.19	14.31	17.86	15.00
Deposits from customers	14.63	7.57	8.96	16.61	14.00
Shareholders' equity	27.67	26.67	30.15	21.42	19.93
Total assets	15.91	18.73	15.18	18.25	9.66
Net interest income	20.39	29.92	24.22	6.06	19.16
Net non-interest income	-10.19	29.06	13.80	48.14	-6.91
PPOP	35.27	45.53	12.07	27.27	12.94
Net profit before tax	27.67	25.03	42.64	17.26	10.10
Net profit after tax	27.84	24.99	42.54	17.22	10.17
Profitability (%)					
NIM	3.66	4.01	4.26	3.93	4.04
ROA	1.86	1.98	2.41	2.46	2.35
ROE	24.31	23.90	26.49	24.39	22.65
Liquidity (%)					
Pure LDR	88.2	95.3	99.9	101.01	101.90
Asset quality					
Leverage (x)	12.54	11.75	10.40	10.13	9.26
NPL ratio (%)	0.59	0.77	0.74	1.21	1.30
LLR ratio (%)	160.3	209.4	159.3	91.16	110.93
Reverse/total credit (%)	0.95	1.62	1.17	1.10	1.15
Credit costs/total loans (%)	0.30	0.92	0.02	0.40	0.50
Credit costs/total credit (%)	0.30	0.92	0.02	0.40	0.50
Per share items (VND)					
EPS	3,554	3,554	4,053	4,131	4,551
BPS	16,399	16,618	17,303	18,269	21,909
PPOP/Share	4,875	5,675	5,088	5,631	6,360

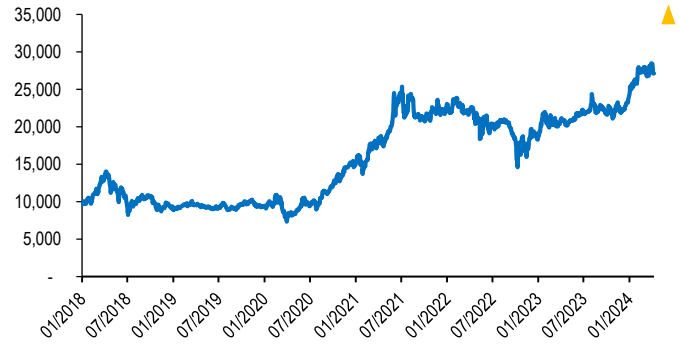
Source: Company data, Shinhan Securities Vietnam

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
09/04/2024 (Update)	BUY	33,900	36.2	17/62

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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