Shinhan Securities



Asia Commercial Bank

[Vietnam / Banking]

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

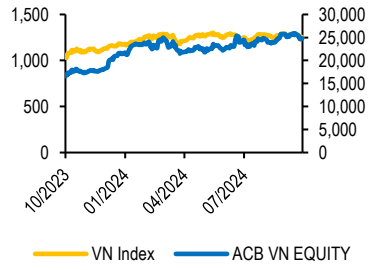
BUY

Update report

Target price (2025)	**VND 34,600**
Current price (25/10/24)	VND 24,900
Upside/downside	39.0%

VNINDEX		1,255
P/E thị trường (23F, x)		11.6
Market Cap (bn VND)		112,467
Outstanding shares (mn)		4467
Free-Floating (mn)		3,113
Free floating (%)		80.1
52-Wk High/Low (VND)		18,478/26,500
90-day avg. trading volume (mn)		8.24
90-day avg. turnover (bn VND)		198
Foreign ownership (%)		30.0
Major shareholders (%)	Sather Gate	4.99

Performance	3T	6T	12T
Tuyệt đối (%)	4.4	7.7	34.2
Tg đối với VN-Index (%)	3.3	4.0	15.9



Source: Bloomberg

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Profit plateaued in 9M/2024

Updated with BUY recommendation, target price VND 34,600

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 2025 to reach 34,600 VND.

Business result 9M/2024

ACB's credit growth in 9M/2024 was very positive, reaching 12.8% YTD. Of which, the retail customer segment increased by 12% YTD (the home loan product increased positively by 14% ytd), the corporate customer group achieved an increase of more than 15% YTD (commerce and manufacturing industry). With a low deposit interest rate base, ACB's mobilization growth reached about 6.2% YTD (higher than the industry average of 4.8% YTD). The high level of competition in lending interest rates among banks caused ACB's NIM to narrow compared to the beginning of the year from 4.0% at the end of 2023 to 3.8% at the end of Q3/2024. Net interest income in 9M/2024 increased by 11% (YoY), reaching VND 20,714 billion.

Non-interest income in 9M/2024 decreased sharply by -26% YoY. Fee income still showed positive growth of 8%, with the main contribution from the card and payment services segment. Meanwhile, unfavourable interest rate developments not allowing ACB to record trading profits from the government bond portfolio, this segment has decreased sharply. In addition, the real estate market has not recovered as expected, causing other income from the disposal of non-performing assets to grow negatively in 9M/2024. In 9M/2024, ACB was able to control operating expenses relatively in line with the bank's income growth, with CIR in 9M/2024 at 33% (compared to 32% in 9M/2023).

In terms of asset quality, ACB's NPL ratio has stabilized right below 1.5%. The restructured NPL according to Circular 02 is currently only at 0.2%. The reduction in the bad debt formation rate is the basis for ACB to expect the NPL ratio end of 2024 below 1.5%. ACB's pre-tax profit for 9M/2024 reached VND 15,335 billion (+2.1% YoY), completing 70% of the whole year plan.

Outlook for 2024-2025

ACB has been granted a credit limit of 18.4% by SBV, and we forecast that ACB can fully utilize this limit in 2024 and could grow by 16% in 2025. NPL ratio is controlled at around 1.5%. NIM is under pressure to narrow and decrease slightly to be around 3.7-3.8% for 2024-2025 period. Non-interest income in 2024 would decrease by 9.2% YoY, before recovering by more than 30% in 2025. With a cautious lending appetite, we maintain ACB's credit cost at around 0.5% for 2024-2025. ACB's pre-tax profit for 2024 and 2025 could reach VND21,145 billion (+5% YoY) and VND25,855 billion (+22.3% YoY).

Risk: (1) Credit growth increased slower than expected.; (2) Interest rate fluctuations cause ACB's NIM to fall deeper than expected; (3) Risk provisioning expenses increased more strongly than expected.

Year	2020	2021	2022	2023	2024F	2025F
Interest income (VNDbn)	14,582	18,945	23,534	24,960	28,095	32,441
Non-interest income (VNDbn)	3,579	4,619	5,257	7,787	7,071	9,334
Total operating income (VNDbn)	**18,161**	**23,564**	**28,790**	**32,747**	**35,166**	**41,775**
Provision and other expenses (VNDbn)	(8,565)	(11,566)	(11,676)	(12,679)	(14,021)	(15,920)
Profit before tax (VNDbn)	**9,596**	**11,998**	**17,114**	**20,068**	**21,145**	**25,855**
Credit growth	15.92%	16.19%	14.31%	17.86%	18.00%	16.00%
NIM	3.66%	4.01%	4.26%	3.93%	3.77%	3.75
ROE	**24.31%**	**23.90%**	**26.49%**	**24.39%**	**21.76%**	**22.30%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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Outlook for 2024-2025

Year	2024F (Old)	2024F (New)	%yoy	2025F	%yoy	Note
Net Interest Income (VNDbn)	29,741	28,095	12.6%	32,441	15.5%	- Sharing at the Analyst Meeting Q3/2024, the management board said that the initial shift to expand lending to the corporate customer group, towards diversifying the loan portfolio, was successful. Thanks to careful preparation before the Land Law (amended) was passed, ACB was able to lend to customer groups in Industrial Parks. Strategically, the retail customer group will remain to be the core of the bank in the future. - However, 2024 is still a difficult year for ACB as SMEs and individual segment are still showing slow recovery. - In terms of interest rates, fierce competition in preferential lending rates in the market caused ACB's NIM to decrease slightly to 3.8%. → We expect ACB to achieve credit growth of 18% in 2024 (using full credit room) and 16% for 2025. With NIM under pressure and slightly decreasing around 3.7-3.8%.
Non-interest Income (VNDbn)	7,249	7,071	-9.2%	9,334	32.0%	- As we forecast, the income from government bond portfolio has fallen sharply in 2024 as bond yields traded at historic lows. - The Bancassurance industry, of which ACB is a part, is still experiencing significant challenges. The management shared that it may have to change the Bancasurance business model in the near future (however, the detail plan is not disclosed as for now). - Although the real estate market has shown some improvement in terms of transactions and prices, there is a clear differentiation. High-end residential products have not attracted many buyers, while the real estate segment catering to actual housing needs has seen a surge in interest. Regarding the evaluation of other income from the disposal of assets related to non-performing loans, the management team shared that due to the sluggish real estate market, the process that usually takes 2-3 months is now taking over 6 months to complete. Because of this delay, this income has not seen much change in 2024. We expect this segment to pick up in the first half of 2025.
Total Operating Income (VNDbn)	36,990	35,166	7.4%	41,775	18.8%	With lower asset yields and lower-than-expected non-interest income, we lower our 2024 total income forecast for ACB to VND35,166 billion.

Profit Before Tax (VNDbn)	22,096	21,145	5.4%	25,855	22.3%	- We maintain our previous assumption of a 33% CIR for ACB. The trend of digital transformation and improving employee efficiency (without significant headcount increases) will continue to be ACB's future direction. - Credit cost/total credit in 2024 increased to 0.5%. - Pre-tax profit growth in 2024 is lower than the annual target and is around 5%. In 2025, we expect ACB's pre-tax profit to reach VND20,684 billion (+22.3% YoY).
Net Income (VNDbn)	17,676	16,916	5.4%	20,684	22.3%	
Non-performing ratio- NPL (%)	1.3%	1.5%		1.3%		Given the NPL developments in 9M/2024, we raise ACB's NPL forecast to 1.5% (from 1.3%)
Loan Loss Coverage Ratio – LLR (%)	110%	91%		97%		We have lowered ACB's loan loss coverage ratio to around 90-100%.
Total Credit Growth – Ytd (%)	*15.0%*	*18.0%*		*16.0%*		
Customer Deposit Growth – Ytd (%)	*14.0%*	*14.0%*		*15.0%*		- We maintain the previous assumptions regarding customer deposits.
Net Interest Margin – NIM (TTM %)	*4.04%*	*3.77%*		*3.76%*		

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 2025 is 34,600 VND.

1) In the short term, we cautiously use the P/B index at 1.4x. With BVPS forecast for 2025 at VND22,620, ACB's target price for 2025 is expected to be VND31,668.

2) For the residual income method, the stock price is estimated around VND46,531.

Cost of Equity (%)	
Cost of Equity (%)	**12.8**
Risk-free rate (%)	2.9
Equity risk premium (%)	9.00
Beta	1.1

RI Method

(Unit: VNDbn)	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Cost of equity	**12.8**	**12.8**	**12.8**	**12.8**	**12.8**
Cost of equity after 2028					**12.8**
Net income	16,916	20,684	24,904	29,681	34,567
Residual income (RI)	6,967	8,810	10,696	12,678	14,275
PV of RI	**6,761**	**7,579**	**8,157**	**8,571**	**8,556**

Terminal value of RI (VNDbn)	**149,093**
Terminal growth (%)	2.00%

PV of terminal value (VNDbn	89,360
PV of RI (bn VND))	39,624
Beginning equity (bn VND)	78,854
Total value (bn VND)	207,839
Total outstanding shares (bn)	4.47
Target price (VND)	**46,531**

Valuation Summary

Method	Weight	Price target (VND)
Residual income	20%	**46,531**
P/B target (1.4x)	80%	**31,668**
Target price (VND)	**34,641**	

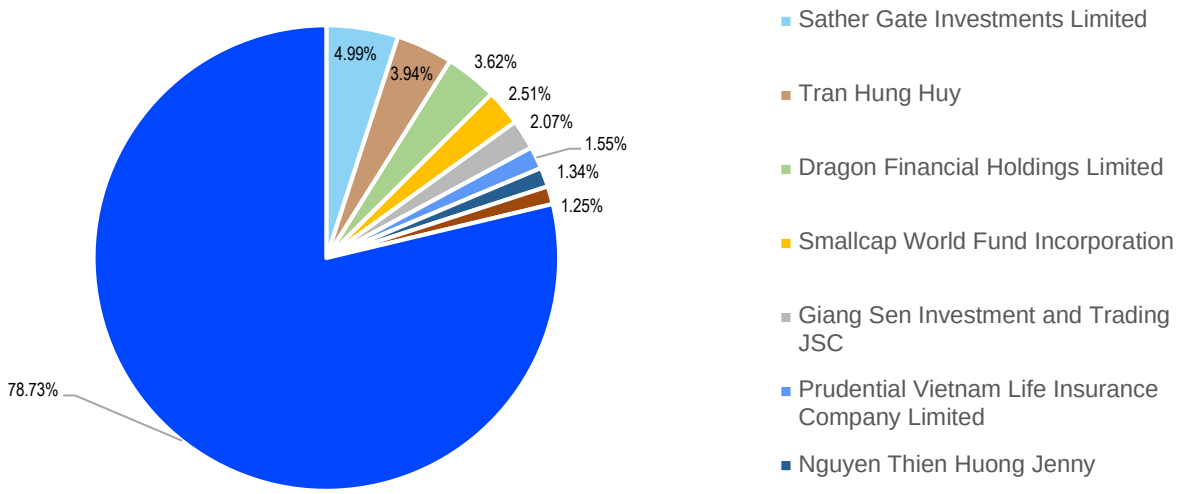
Source: Shinhan Securities Vietnam

Business overview

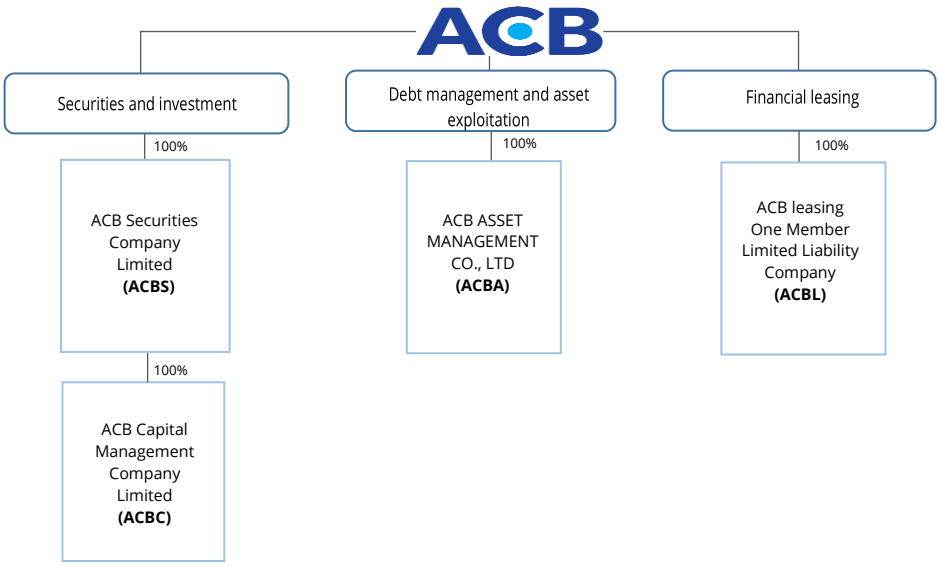
Company history

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).

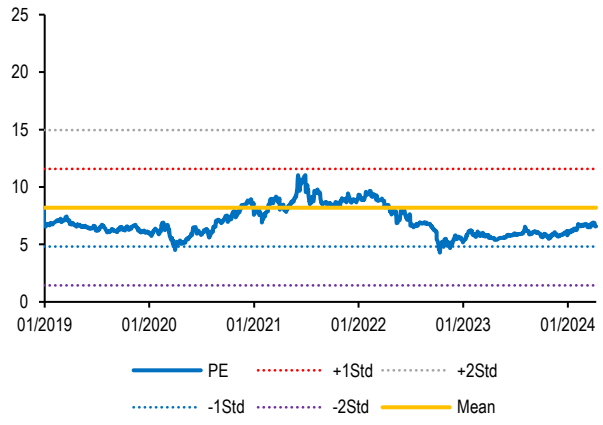
ACB's shareholder structure at the end of Q3/2024



Subsidiaries of ACB

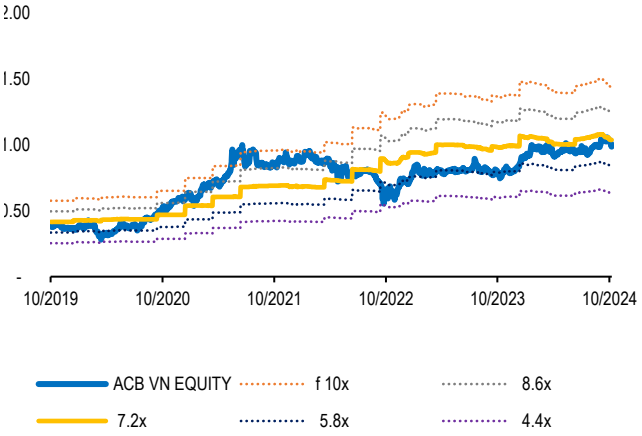


PER of ACB



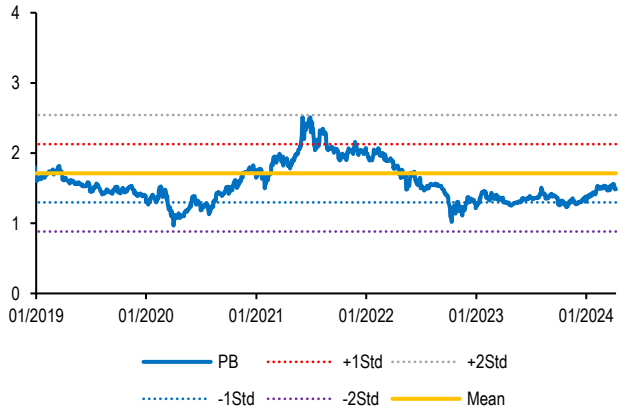
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of ACB



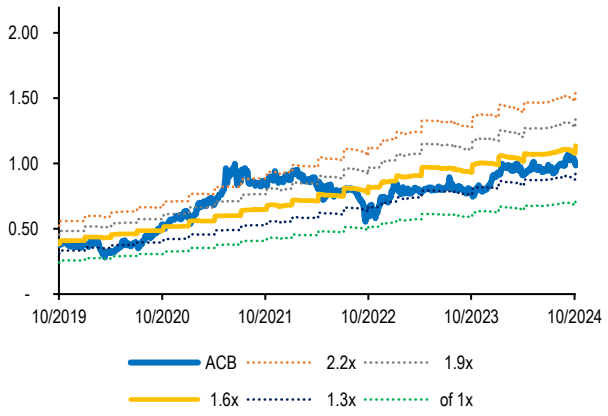
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PBR of ACB



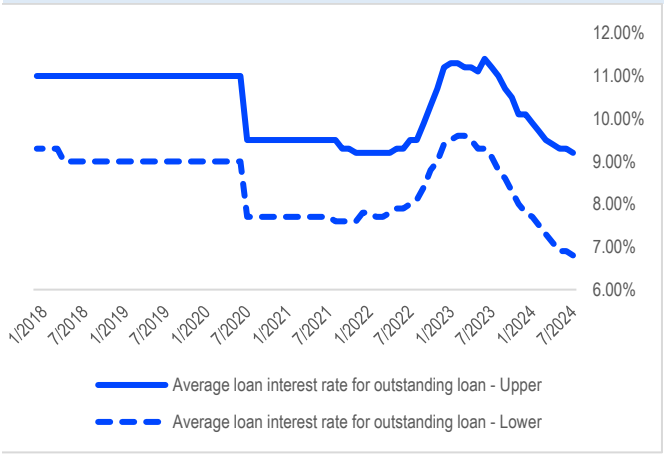
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PBR band of ACB



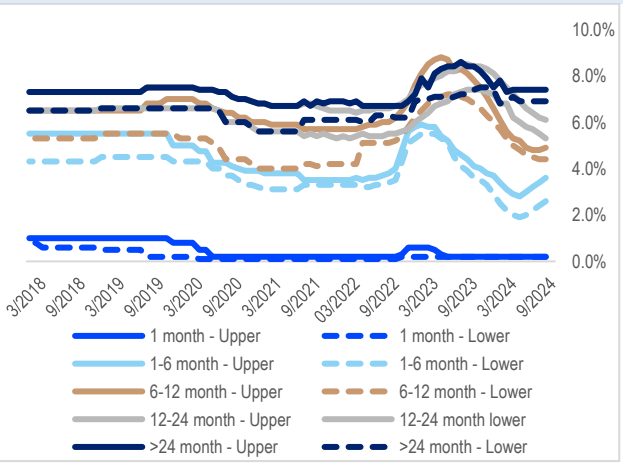
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



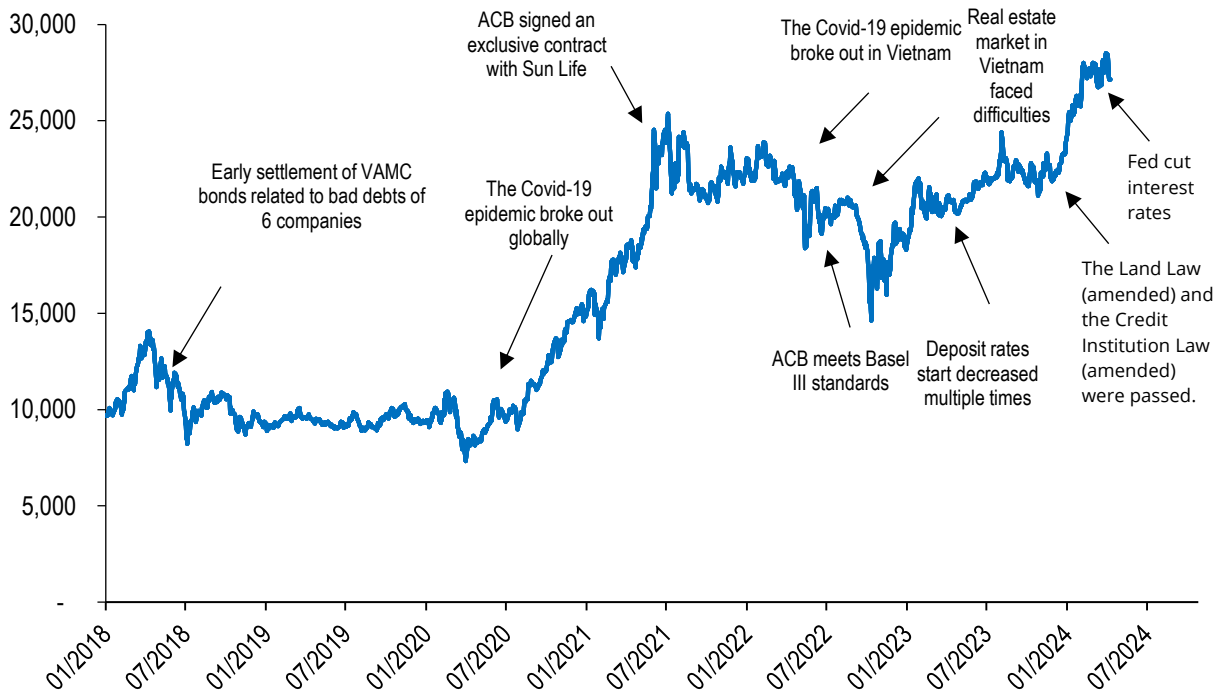
Source: SBV, Company Data, Shinhan Securities Vietnam

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)	2021	2022	2023	2024F	2025F
Total assets	**527,770**	**607,875**	**718,795**	**805,609**	**958,076**
Cash and precious metals	7,510	8,461	6,909	4,402	5,063
Balances with the SBV	32,350	13,658	18,505	22,011	25,313
Placements with and loans to other credit institutions	49,819	85,971	114,874	106,972	156,515
Trading securities	11,260	1,131	7,177	7,177	7,177
Derivatives and other financial assets	227	100	-	-	-
Loans and advances to customers	356,051	408,857	482,235	569,064	660,251
Debts purchase	-	-	-	-	-
Investment securities	59,475	75,535	73,463	77,954	82,893
Long-term investments	172	147	140	140	140
Fixed assets	3,763	3,981	4,763	5,049	5,353
Investment properties	216	177	177	177	177
Other assets	6,929	9,858	10,552	12,662	15,194
Total liabilities	**482,869**	**549,437**	**647,839**	**721,120**	**857,041**
Due to Gov and Loans from SBV	-	506	0	0	0
Deposits and Loans from other credit institutions	54,394	67,841	89,507	75,567	103,918
Deposits from customers	379,921	413,953	482,703	550,281	632,823
Derivatives, Funds received from Gov, international and other institutions	86	60	159	159	159
Convertible bonds/CDs and other	30,548	44,304	52,410	68,133	88,573
Other liabilities	17,920	22,772	23,060	26,981	31,567
Shareholder's equity	**44,901**	**58,439**	**70,956**	**84,489**	**101,036**
Capital	27,291	34,046	39,112	39,112	39,112
Reserves	7,164	9,220	11,557	14,104	17,216
Retained earnings	10,445	15,172	20,286	31,272	44,707
Minority interest	-	-	-	-	-
Total liabilities and equity	**527,770**	**607,875**	**718,795**	**805,609**	**958,076**

Income statement

Year (bn)	2021	2022	2023	2024F	2025F
Interest and Similar Income	33,714	40,699	52,347	51,622	61,631
Interest and Similar Expenses	(14,769)	(17,165)	(27,387)	(23,528)	(29,190)
Net Interest Income	**18,945**	**23,534**	**24,960**	**28,095**	**32,441**
Net Fee and Commission Income	2,894	3,526	2,922	3,455	4,971
From foreign currency and gold	872	1,048	1,110	1,329	1,553
From trading of trading securities	450	(388)	168	-	-
From disposal of investment securities	244	21	2,647	379	402
Net Fee and Commission Income	139	990	863	1,853	2,350
Dividends income	20	59	76	57	57
Total non-interest income	**4,619**	**5,257**	**7,787**	**7,071**	**9,334**
Total operating income	**23,564**	**28,790**	**32,747**	**35,166**	**41,775**
General and Admin expenses	(8,230)	(11,605)	(10,874)	(11,418)	(12,902)
Operating Profit Before Provision (PPOP)	15,334	17,185	21,872	23,748	28,873
Provision for credit losses	(3,336)	(71)	(1,804)	(2,603)	(3,018)
Profit before tax	**11,998**	**17,114**	**20,068**	**21,145**	**25,855**
Corporate income tax	(2,395)	(3,426)	(4,023)	(4,229)	(5,171)
Net profit after tax	**9,603**	**13,688**	**16,045**	**16,916**	**20,684**
Attributable to parent company	9,603	13,688	16,045	16,916	20,684

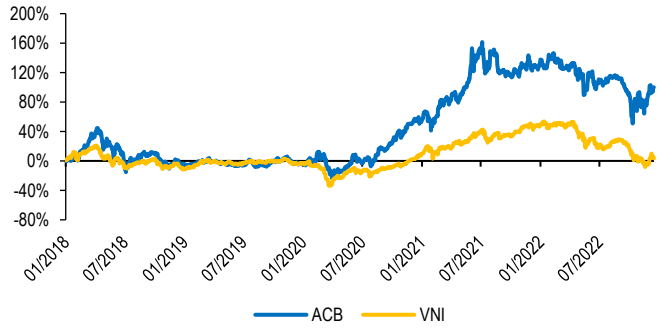
Financial indicators

Year	2021	2022	2023	2024F	2025F
Growth (% YoY)					
Loans to customers	16.19	14.31	17.86	18.00	16.00
Deposits from customers	7.57	8.96	16.61	14.00	15.00
Shareholders' equity	26.67	30.15	21.42	19.07	19.59
Total assets	18.73	15.18	18.25	12.08	18.93
Net interest income	29.92	24.22	6.06	12.56	15.47
Net non-interest income	29.06	13.80	48.14	(9.19)	32.00
PPOP	45.53	12.07	27.27	8.58	21.58
Net profit before tax	25.03	42.64	17.26	5.37	22.28
Net profit after tax	24.99	42.54	17.22	5.43	22.28
Profitability (%)					
NIM	4.01	4.26	3.98	3.77	3.75
ROA	1.98	2.41	2.42	2.22	2.35
ROE	23.90	26.49	24.80	21.76	22.30
Liquidity (%)					
Pure LDR	95.26	99.94	101.01	104.56	105.47
Asset quality					
Leverage (x)	11.75	10.40	10.13	9.54	9.48
NPL ratio (%)	0.77	0.74	1.21	1.50	1.40
LLR ratio (%)	209.39	159.27	91.16	91.68	96.69
Reverse/total credit (%)	1.62	1.17	1.10	1.10	1.08
Credit costs/total loans (%)	0.99	0.02	0.40	0.49	0.49
Credit costs/total credit (%)	0.99	0.02	0.40	0.49	0.49
Per share items (VND)					
EPS	3,554	4,053	4,131	3,787	4,631
BPS	16,618	17,303	18,269	18,915	22,620
PPOP/Share	5,675	5,088	5,631	5,317	6,464

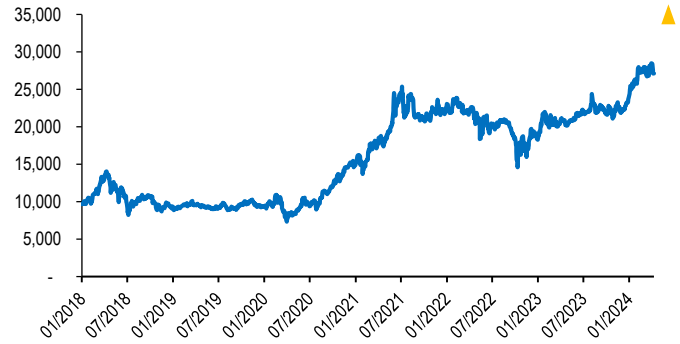
Source: Company data, Shinhan Securities Vietnam

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	25,389	47.0	20/91
25/10/2023 (Update)	BUY	27,649	60.2	30/107
09/04/2024 (Update)	BUY	29,475	36.2	17/62
28/10/2024 (Update)	BUY	34,600	39.5	21/64

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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