



Asia Commercial Bank

[Vietnam / Banking]

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

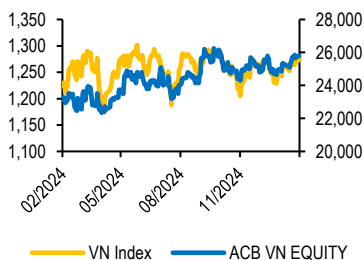
BUY

Update report

Target price (2025) **VND 34,600**
Current price (02/18/25) **VND 24,900**
Upside **34.1%**

VNINDEX	1,277
P/E thị trường (23F, x)	10.3
Market Cap (bn VND)	115,240
Outstanding shares (mn)	4,467
Free-Floating (mn)	3,529
Free floating (%)	79.0
52-Wk High/Low (VND)	23,000/26,500
90-day avg. trading volume (mn)	6.34
90-day avg. turnover (bn VND)	145
Foreign ownership (%)	30.0
Major shareholders (%)	Sather Gate 4.99

Performance	3T	6T	12T
Tuyệt đối (%)	5.3	7.5	7.5
Tg đổi với VN-Index (%)	0.4	5.5	1.9



Source: Bloomberg

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Riding the recovery wave

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 and P/E, we update the target price for ACB in 2025 to reach 34,600 VND.

Business result in 2024

ACB at the end of 2024 achieved credit growth of 18.4%, surpassing the growth rate of the entire system (15.1%). The individual customer segment (accounting for 63% of the loan portfolio) grew by nearly 15%; the SMEs segment grew relatively slowly, by over 12%; the corporate customer segment had impressive growth, by over 86%.

Customer deposit of ACB in 2024 increased by 11.5%, slower than the customer loan growth rate.

To support credit demand, ACB had to actively cut lending interest rates. This approach caused ACB's NIM to continue to narrow in 2024, from 3.98% in 2023 to 3.68% at the end of 2024.

ACB's interest income in 2024 reached VND 27,795 billion (+11% YoY). Fee income grew positively by 11% despite the decline in the Bancassurance segment. However, the absence of trading gain from the government bond portfolio caused total non-interest income to grow negatively.

The NPL ratio at the end of 2024 was at 1.5%, and the NPL coverage ratio was at 76%.

The bank's operating costs were tightly controlled in 2024, with the CIR ratio in 2024 remaining stable at 33% (equal to the CIR of 2023).

ACB's pre-tax profit in 2024 reached VND 21,006 billion (+4.7% YoY); completing the year's target.

Regarding subsidiaries, ACBS has completed its charter capital increase to VND 10,000 billion. With the new capital, ACBS is expected to accelerate in the coming years.

Outlook for 2025

We cautiously forecast ACB's credit growth of about 17% for 2025. NIM stabilizes and slightly increases to 3.72%. The NPL ratio is at 1.5%, with credit costs below 0.5%. CIR is at 31%. Interest and non-interest income recover to over 20% for 2025. With the above main assumptions, ACB's pre-tax profit could reach VND 25,527 billion (+21.5% 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	2021	2022	2023	2024	2025F
Interest income (VNDbn)	18,945	23,534	24,960	27,795	33,594
Non-interest income (VNDbn)	4,619	5,257	7,787	5,720	6,913
Total operating income (VNDbn)	23,564	28,790	32,747	33,515	40,506
Provision and other expenses (VNDbn)	(11,566)	(11,676)	(12,679)	(12,509)	(14,979)
Profit before tax (VNDbn)	11,998	17,114	20,068	21,006	25,527
Credit growth	16.19%	14.31%	17.86%	18.4%	17.00%
NIM	4.01%	4.26%	3.93%	3.68%	3.72%
ROE	23.90%	26.49%	24.39%	21.75%	22.29%

Source: Finpro, Company data, Shinhan Securities Vietnam

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Outlook for 2025

Year	2024	%yoy	2025F	%yoy	Note
Net Interest Income (VNDbn)	27,795	11.4%	33,594	20.9%	<ul style="list-style-type: none"> - At the Q1/2025 investor meeting, the management board set a target to fully utilize the credit limit approved by the State Bank (minimum growth of 16%). We forecast that ACB could achieve credit growth of 17% for 2025, with the individual and retail segments potentially growing better than last year. ACB is trying to find breakthroughs in the retail segment with new products and promoting digital banking. - The corporate segment is quite successful, and ACB expects to keep finding other large and FDI enterprises to boost lending. - Controlling capital costs will be an important factor in the bank's interest income growth in 2025. We forecast that ACB's NIM will stabilize and slightly improve to 3.72%.
Non-interest Income (VNDbn)	5,720	-26.5%	6,913	20.8%	<ul style="list-style-type: none"> - 2024 lacks trading gain from the government bond portfolio due to unfavorable interest rate trends. - Fee income continues to be driven by digital transformation. - The handling of resolved risk assets process maintains longer after Resolution 42/2017/QH14 expired. However, we believe that income from this segment will improve significantly in 2025 thanks to the warming real estate market.
Total Operating Income (VNDbn)	33,515	2.3%	40,506	20.9%	
Profit Before Tax (VNDbn)	21,006	4.7%	25,527	21.5%	<ul style="list-style-type: none"> - With the trend of staff reduction along with promoting digital transformation in the banking industry, we forecast that ACB's CIR could decrease to the level of 31%. - Credit costs/total credit in 2025 is expected to be below 0.5%.
Net Income (VNDbn)	16,790	4.6%	20,422	21.6%	
Non-performing ratio- NPL (%)	1.5%		1.5%		With the downward trend of the Bad debt formation rate, we project that the NPL ratio could stabilize at 1.5% in 2025 for base case.
Loan Loss Coverage Ratio - LLR (%)	77.9%		89.0%		ACB's LLR is estimated to be around 90%.
Total Credit Growth - Ytd (%)	18.4%		17.0%		

Customer Deposit Growth - Ytd (%)	11.3%	13.0%
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Net Interest Margin - NIM (TTM %)	3.68%	3.72%
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- The managements shared that they will continue to promote mobilization through valuable papers with long maturities in the coming time. In addition, as deposit interest rates are currently still at low level, we assume that customer deposit growth will only be around 13%.

Valuations and recommendations

Valuation

We use the residual income (RI) method and the P/B, P/E 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 use the P/B index at 1.4x. With BVPS forecast for 2025 at VND22,343, ACB's target price for 2025 is expected to be VND31,280.

With a target P/E of 6.5x, and a projected 2025 EPS of VND4,572, ACB's target price falls to VND29,718.

2) For the residual income method, the stock price is estimated around VND50,832.

Cost of Equity (%)	
Cost of Equity (%)	12.5
Risk-free rate (%)	3.1
Equity risk premium (%)	8.35
Beta	1.1

RI Method					
(Unit: VNDbn)	2024	2025F	2026F	2027F	2028F
Cost of equity	12.5	12.5	12.5	12.5	12.5
Cost of equity after 2028					12.5
Net income	16,916	20,422	25,425	30,027	35,601
Residual income (RI)		9,012	11,732	13,572	15,877
PV of RI		8,014	9,278	9,544	9,929

Terminal value of RI (VNDbn)	170,815
Terminal growth (%)	2.00%

PV of terminal value (VNDbn)	106,821
PV of RI (bn VND)	36,764
Beginning equity (bn VND)	83,462
Total value (bn VND)	227,047
Total outstanding shares (bn)	4.47
Target price (VND)	50,832

Valuation Summary		
Method	Weight	Price target (VND)
Residual income	20%	50,832
P/B target (1.4x)	40%	31,280
P/E target (6.5x)	40%	29,718
Target price (VND)		34,566

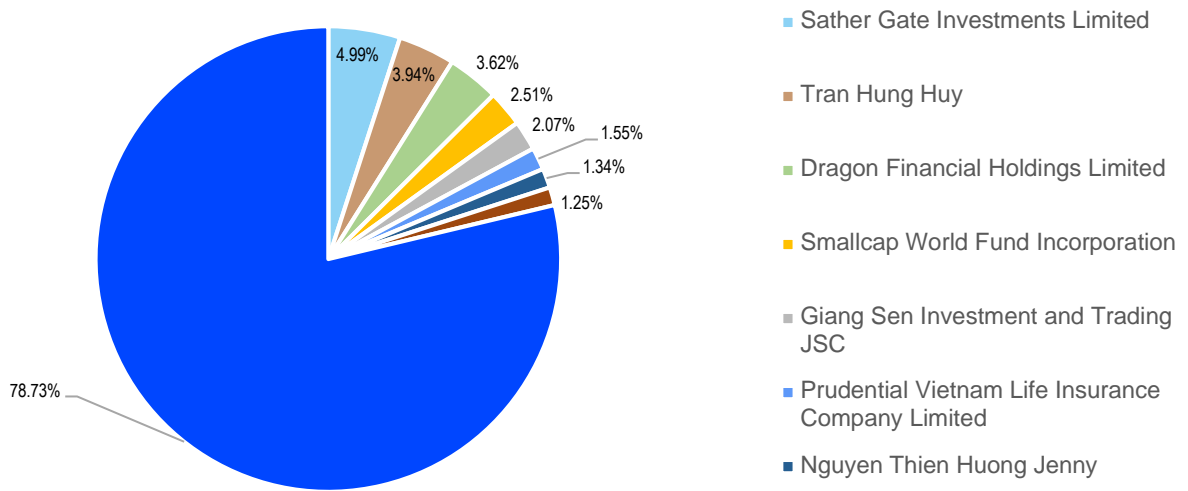
Source: Shinhan Securities Vietnam

Business overview

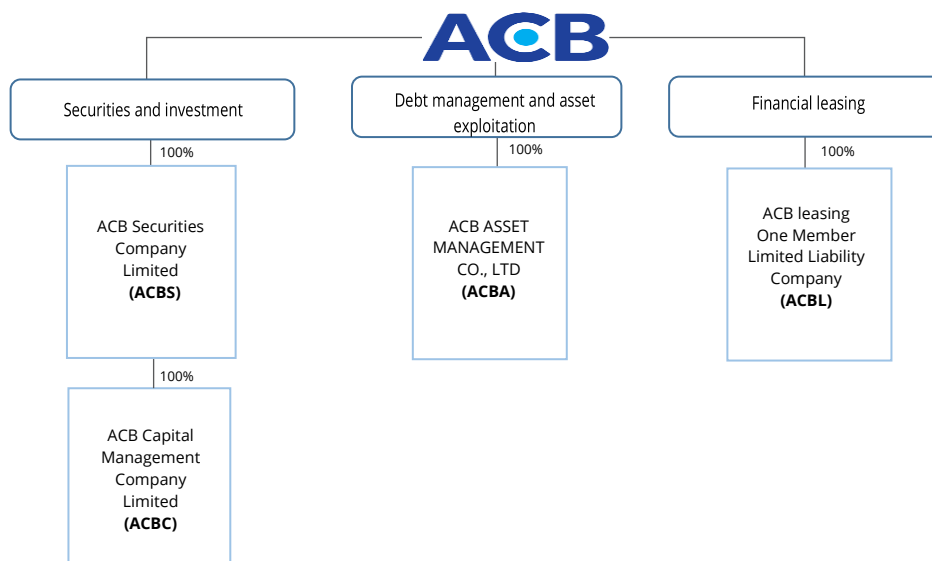
Company history

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).

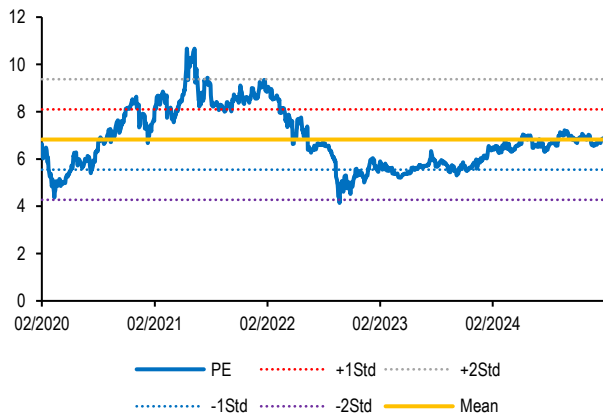
ACB's shareholder structure at the end of Q4/2024



Subsidiaries of ACB

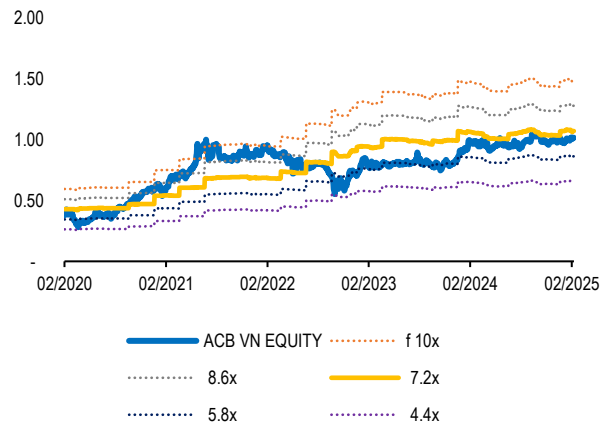


PER of ACB



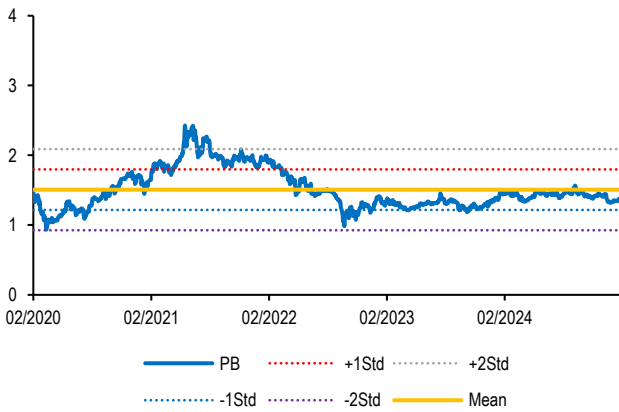
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PER band of ACB



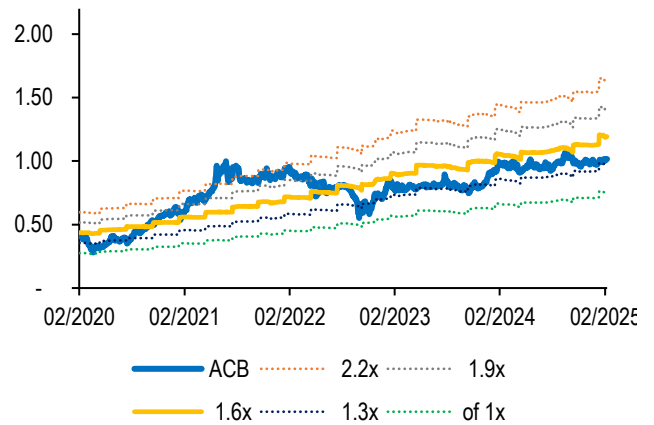
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PBR of ACB



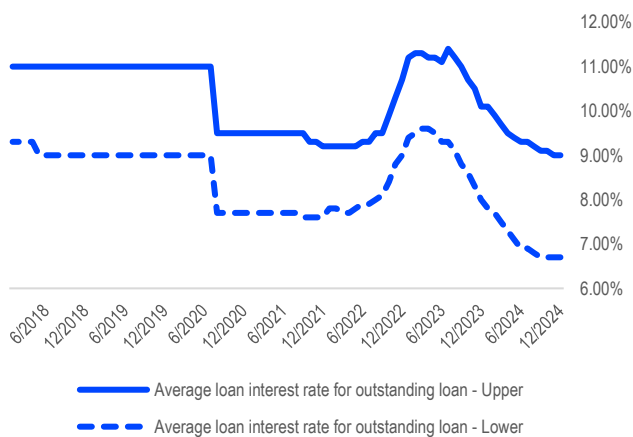
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PBR band of ACB



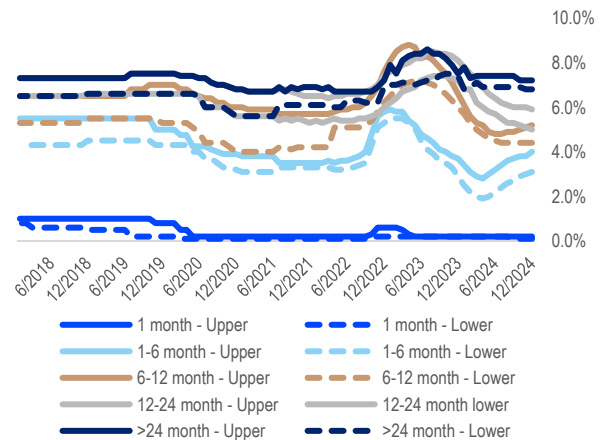
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



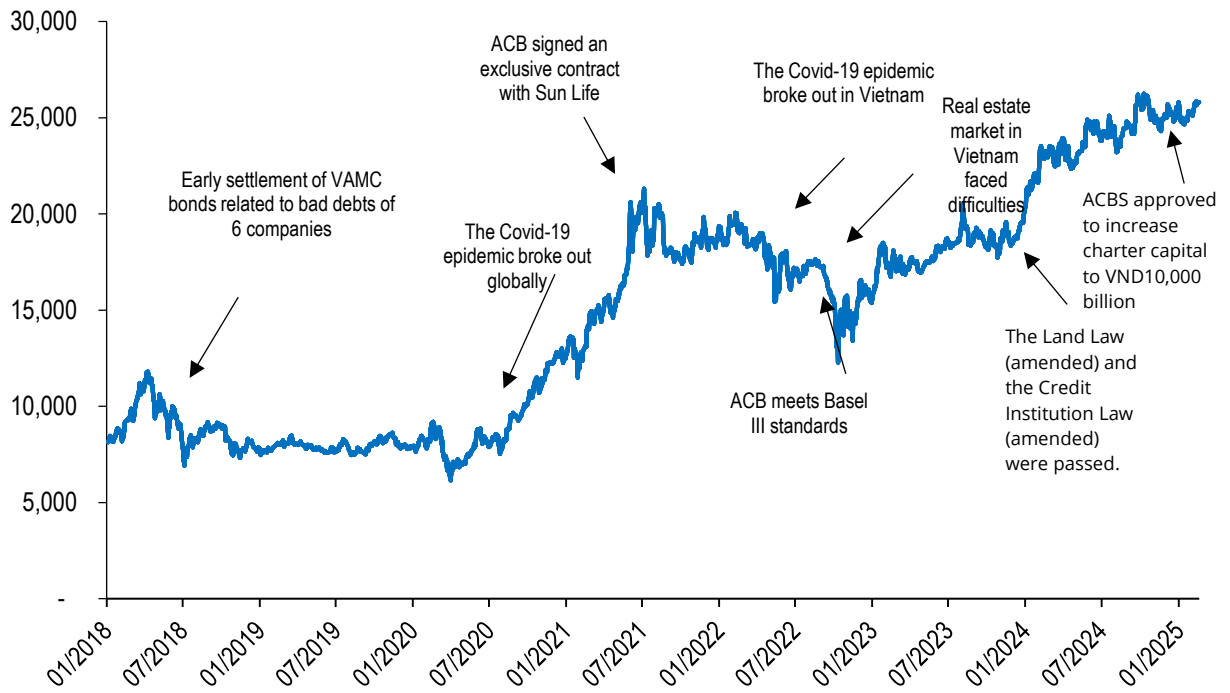
Source: SBV, Company Data, Shinhan Securities Vietnam

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	2024	2025F
Total assets	527,770	607,875	718,795	864,006	973,788
Cash and precious metals	7,510	8,461	6,909	5,696	4,857
Balances with the SBV	32,350	13,658	18,505	25,220	24,286
Placements with and loans to other credit institutions	49,819	85,971	114,874	117,882	118,208
Trading securities	11,260	1,131	7,177	3,881	3,881
Derivatives and other financial assets	227	100	-	56	56
Loans and advances to customers	356,051	408,857	482,235	573,947	672,199
Debt purchase	-	-	-	-	-
Investment securities	59,475	75,535	73,463	121,090	131,982
Long-term investments	172	147	140	125	125
Fixed assets	3,763	3,981	4,763	5,412	5,919
Investment properties	216	177	177	177	177
Other assets	6,929	9,858	10,552	10,519	12,097
Total liabilities	482,869	549,437	647,839	780,544	873,989
Due to Gov and Loans from SBV	-	506	0	7,955	7,955
Deposits and Loans from other credit institutions	54,394	67,841	89,507	111,592	111,114
Deposits from customers	379,921	413,953	482,703	537,305	607,154
Derivatives, Funds received from Gov, international and other institutions	86	60	159	28	28
Convertible bonds/CDs and other	30,548	44,304	52,410	101,650	121,981
Other liabilities	17,920	22,772	23,060	22,014	25,757
Shareholder's equity	44,901	58,439	70,956	83,462	99,799
Capital	27,291	34,046	39,112	44,938	53,066
Reserves	7,164	9,220	11,557	14,790	17,868
Retained earnings	10,445	15,172	20,286	23,734	28,865
Minority interest	-	-	-	-	-
Total liabilities and equity	527,770	607,875	718,795	864,006	973,788

Financial indicators

Year	2021	2022	2023	2024	2025F
Growth (% YoY)					
Loans to customers	16.19	14.31	17.86	19.09	17.00
Deposits from customers	7.57	8.96	16.61	11.31	13.00
Shareholders' equity	26.67	30.15	21.42	17.62	19.57
Total assets	18.73	15.18	18.25	20.20	12.71
Net interest income	29.92	24.22	6.06	11.36	20.86
Net non-interest income	29.06	13.80	48.14	(26.54)	20.85
PPOP	45.53	12.07	27.27	3.38	23.69
Net profit before tax	25.03	42.64	17.26	4.67	21.52
Net profit after tax	24.99	42.54	17.22	4.64	21.63
Profitability (%)					
NIM	4.01	4.26	3.98	3.59	3.72
ROA	1.98	2.41	2.42	2.12	2.22
ROE	23.90	26.49	24.80	21.75	22.29
Liquidity (%)					
Pure LDR	95.26	99.94	101.01	108.07	111.90
Asset quality					
Leverage (x)	11.75	10.40	10.13	10.35	9.76
NPL ratio (%)	0.77	0.74	1.21	1.49	1.50
LLR ratio (%)	209.39	159.27	91.16	77.92	88.97
Reverse/total credit (%)	1.62	1.17	1.10	1.16	1.06
Credit costs/total loans (%)	0.99	0.02	0.40	0.30	0.39
Credit costs/total credit (%)	0.99	0.02	0.40	0.30	0.39
Per share items (VND)					
EPS	3,554	4,053	4,131	3,759	4,572
BPS	16,618	17,303	18,269	18,685	22,343
PPOP/Share	5,675	5,088	5,631	5,062	6,262

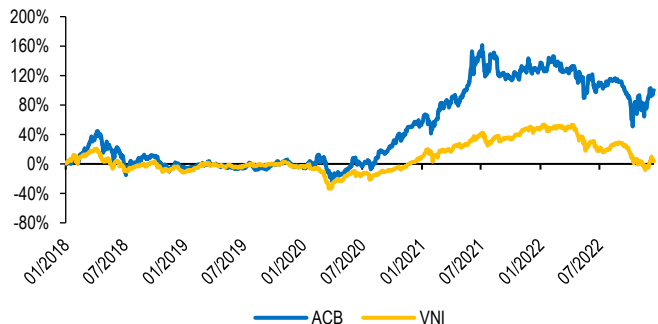
Source: Company data, Shinhan Securities Vietnam

Income statement

Year (bn)	2021	2022	2023	2024	2025F
Interest and Similar Income	33,714	40,699	52,347	50,903	63,854
Interest and Similar Expenses	(14,769)	(17,165)	(27,387)	(23,108)	(30,261)
Net Interest Income	18,945	23,534	24,960	27,795	33,594
Net Fee and Commission Income	2,894	3,526	2,922	3,239	4,095
From foreign currency and gold	872	1,048	1,110	1,171	1,346
From trading of trading securities	450	(388)	168	200	-
From disposal of investment securities	244	21	2,647	450	633
Net Fee and Commission Income	139	990	863	624	802
Dividends income	20	59	76	36	36
Total non-interest income	4,619	5,257	7,787	5,720	6,913
Total operating income	23,564	28,790	32,747	33,515	40,506
General and Admin expenses	(8,230)	(11,605)	(10,874)	(10,903)	(12,538)
Operating Profit Before Provision (PPOP)	15,334	17,185	21,872	22,612	27,968
Provision for credit losses	(3,336)	(71)	(1,804)	(1,606)	(2,441)
Profit before tax	11,998	17,114	20,068	21,006	25,527
Corporate income tax	(2,395)	(3,426)	(4,023)	(4,216)	(5,105)
Net profit after tax	9,603	13,688	16,045	16,790	20,422
Attributable to parent company	9,603	13,688	16,045	16,790	20,422

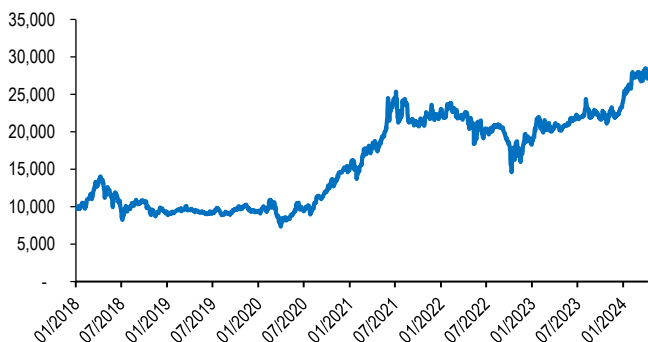
Asia Commercial Bank (ACB VN)

Price performance



Date (dd/mm/yyyy)	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
18/02/2025 (Update)	BUY	34,600	39.7	30/50

Target price (VND)



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

Shinhan Securities Vietnam

Stock

- ◆ **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%

Industry

- ◆ **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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