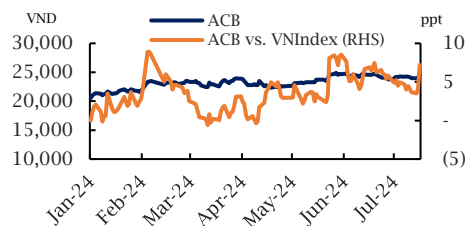


Asia Commercial Bank [ACB VN]
19 July 2024
BUY
TP upside +14%
Close 19 Jul 2024
Current Price VND 25,100
12M Target VND 28,510
Share price performance relative to VNI


Market cap	US\$4.3 bn
6M avg. daily turnover	US\$16 mn
Outstanding shares	4,467 mn
Free float	90.0%
FINI ownership	30.0%
Major shareholders	22%
2024E Asset/equity (x)	9.6x
2024E P/E (x)	5.8x
2024E P/B (x)	1.3x
FOL remaining room	0.0%
2025E dividend yield (%)	4%

Source: FiinPro-8, Yuanta Vietnam

ACB's 2Q24 Results	2Q24	% QoQ	% YoY
PBT (VND bn)	5,598	14%	16%
NIM	3.77%	-5bps	-45bps
Fees (VND bn)	878	18%	9%
CASA ratio	22.3%	-1.4ppt	+60bps
NPL (%)	1.50%	3bps	43bps
LLR (%)	76%	-1ppt	-32ppt
LDR (%)	82.0%	vs. SBV's cap of 85.0%	
SMLT (%)	17.6%	vs. SBV's cap of 30.0%	
CASA (%)	11.8%	vs. Basel II min of 8.0%	

Source: Company Data

Research Analyst:
Tanh Tran

+84 28 3622 6868 ext 3874

tanh.tran@yuanta.com.vn
Bloomberg code: YUTA
Asia Commercial Bank (ACB VN)
Superior credit growth

ACB posted 2Q24 PBT of VND 5.6 tn (+14% QoQ/+16 YoY), driven by high credit growth. 1H24 PBT was VND10.5 tn (+5% YoY, fulfilling 48% of its full-year target and 43% of our 2024E forecast.

Details

Credit surged by 12.4% YTD in 1H24, with balanced loan growth across retail (+12%) and corporate (+12%). Consumers and SMEs accounted for 92% of total loans at 2Q24 (versus 93% in 1Q24), with corporate loans accounting for the other 8% (vs. 7% in 1Q24).

ACB's LDR was 82%, well below the SBV's cap of 85%. Management aims to maintain the bank's LDR at 80-82% going forward.

NIM decreased by -5bps QoQ/-45bps YoY to 3.77% in 2Q24. Asset yields fell at a faster pace (-98bps YTD) than funding costs (-87bps YTD). ACB's CASA ratio was 22.3% at end-June (-1.4ppt QoQ / +60bps YoY). ACB expects NIM to stay flat at the current level or trend slightly lower in 2H24.

Net fees were VND878 bn (+18% QoQ/+9% YoY) in 1H24 despite a continued decline in banca fees. ACB retained its No. 1 position in banca sales, which reached VND455 bn (-30% YoY) in 1H24.

ACB's cost to income ratio fell to 28% in 2Q24, the lowest quarterly CIR that the bank has ever reported. 1H24 opex increased by +5% YoY.

ACB's NPL ratio rose to 1.50% (+3bps QoQ/+43bps YoY), and its **LLR ratio decreased to 76%** (-1ppt QoQ/-32ppt YoY) as a result.

CAR remained high at 11.8% in 2Q24. ST fundings used for MLT loans (SMLT) was 17.6%, far below the SBV's cap of 30.0%.

Our view

Retail-focused banks like ACB should see a pickup in loan growth along with the economic recovery going forward. ACB's credit quota for 2024 is +16% YoY, and we think that the SBV will grant a higher quota for ACB in 2H24. Such increased retail lending should support ACB's NIM in 2H24.

ACB has the flexibility to further improve NIM by using more ST fundings for MLT loans. This is because its SMLT ratio of only 17.6% is far below the SBV's cap of 30.0%.

NPL ratio remains high, but we think it has peaked. We expect bank NPL ratios to improve in 2H24 given an improved economic outlook and new real estate laws that we think will help to resolve supply bottlenecks gradually. However, ACB's LLR ratio of 76% indicates the potential need for higher provisioning going forward.

Reiterate BUY. ACB trades at 1.3x 2024E P/B vs. the sector median of 1.2x. We believe ACB deserves a wider premium given its overall high quality. We forecast 2024E ROE of 24% vs. the sector median 18%.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

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YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Analyst (Consumer)

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Institutional Sales

Lawrence Heavey

Head of Institutional Sales

Tel: +84 28 3622 6868 (ext. 3835)

lawrence.heavey@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

an.nguyen@yuanta.com.vn

Anh Nguyen

Sales Trader Supervisor

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn
