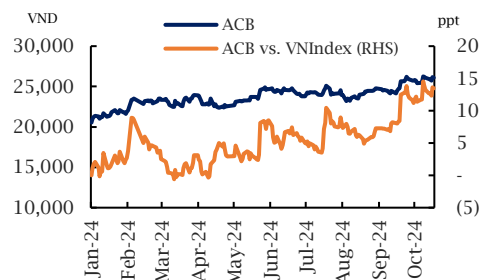


Asia Commercial Bank [ACB VN]
25 October 2024
BUY
TP upside +26%
Close 25 Oct 2024
Current Price VND 24,900
12M Target VND 31,360
Share price performance relative to VNI


Market cap	US\$4.4 bn
6M avg. daily turnover	US\$10 mn
Outstanding shares	4,467 mn
Free float	90.0%
FINI ownership	30.0%
Major shareholders	18%
2024E Asset/equity (x)	9.6x
2024E P/E (x)	5.4x
2024E P/B (x)	1.3x
FOL remaining room	0.0%
2025E dividend yield (%)	4.0%

Source: FiinPro-8, Yuanta Vietnam

ACB's 3Q24 Results	3Q24	% QoQ	% YoY
NII (VND bn)	6,881	-3%	11%
Net Fee Inc. (VND bn)	747	-15%	-2%
Adj. TOI (VND bn)	7,933	-5%	-4%
Opex (VND bn)	2,934	19%	2%
Provision (VND bn)	358	-39%	-31%
PATMI (VND bn)	3,870	-13%	-4%
NPL (%)	1.49%	1bps	29bps
LLR (%)	80%	3ppt	-14ppt
CASA (%)	22.2%	-20bps	+1.6ppt

Source: FiinPro-X

Research Analyst:
Tanh Tran

+84 28 3622 6868 ext 3874

tanh.tran@yuanta.com.vn
Bloomberg code: YUTA
Asia Commercial Bank (ACB VN)
Non-core businesses dragged earnings

Non-interest incomes dragged earnings in 3Q24. ACB reported 3Q24 PATMI of VND3.9 tn (-13% QoQ/-4% YoY). 9M24 PATMI was VND12.2 tn (+2% YoY), fulfilling 63% of our 2024E forecast.

Details

Credits surged by 13.8% YTD, while customer deposits increased by only 6.1% YTD in 9M24. However, ACB's bond issuance jumped by +72% YTD, bringing total deposits growth (customer deposits + bonds) to 12.6%. This helped support credit growth; however, this caused higher interest expenses. ACB also plans to issue 5Y bonds worth of VND15 tn by the end of 2024.

Interest expenses increased by +13% QoQ/but -11% YoY. Annualized NIM per average assets decreased by -24bps QoQ/-32bps YoY to 3.56% in 3Q24, in our calculation.

Gains from FX dropped by -47% YoY, and gains from investment securities plunged by 95% YoY, which were the key reasons that dragged down earnings in 3Q24. Recalling that ACB booked profits from investment securities (i.e. G-bonds) in 3Q24 and 4Q23 given decreased bond yields at that time.

ACB's NPL ratio was relatively unchanged at 1.49% (+1bps QoQ/+29bps YoY). Aggregate NPLs increased by only +2% sequentially, but its cat. 5 NPLs was up +10% QoQ.

Our view

Funding costs will remain high in 4Q24 given its continuation of issuing long-term bonds. However, the rate differential is not huge, with bond yield only about 60bps higher than customer deposit rate for the same term (e.g. 2-year term). Additionally, SBV's monetary policy flexibility now seems lower than expected, given the pressure on the foreign exchange rates, though this will impact across banks.

Bond issuance will help enhance ACB's long-term capitals, improve its Tier 2, and support credit growth in light of its low customer deposit growth. This also helps maintain its LDR, which we estimate at 82%, below the SBV's cap of 85%. But the downside is rising funding costs.

However, the improved CASA ratio, which was 22.2% (+1.6ppt YoY), is positive and should help ACB's NIM.

NPL ratio stayed nearly flat QoQ, and we think it has peaked given an improved economy.

Reiterate **BUY**. ACB trades at 1.3x 2024E P/B, which is just slightly above 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%. We have updated [ACB's target price](#), which now implies a 12m TSR of 30%.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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

Giang Hoang

Assistant Analyst

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

giang.hoang@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
