

19 Jul 2024

Asia Commercial Bank (ACB)

Tighten costs to keep profit growth

AM briefing

- We joined ACB's analyst meeting on Jul 19 which shed some light on its 2Q24 operational updates.

Strong 2Q24 earnings growth

- 2Q24 PBT grew +16%yoy (to VND5,598bn) thanks to controls in operating expenses and risks provision expenses, per our estimation.
- 2Q24 Service incomes (+9.2%yoy) were driven by cards, payment, and securities services, despite a slowdown in bancassurance. Other non-interest incomes fell by -32%yoy. CIR was down from 31% in 2Q23 to 28% in 2Q24.
- 1H2024 PBT rose +5%yoy to VND10,491bn, completing 48% of the 2024 target.

Double credit growth in 2Q24

- 2Q24 total credit rose sharply from +12.5%YTD, double 1Q24's +3.7% YTD and the industry's +6%YTD. 2Q24 Credit growth was almost uniform across segments: (1) SMEs/MMLC rallied +4.7%YTD/+50%YTD (2) Consumer loans loan accelerated +12.5%YTD, resulting from all consumer segments. ACB enhanced credit disbursement for large corporations but maintained risk appetite
- 2024 Credit quota is granted by 16.1%, leaving the remaining 4% credit growth for 2H2024. The management expects SBV to allocate additional quota for higher credit demand.
- According to the management, 2Q24 NIM slightly fell from 1Q24's 3.82% to 2Q24's 3.77% due to price competition for higher credit growth.

12M rating **NON-RATED**

12M TP

Up/Downside

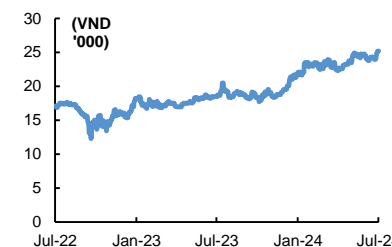
Stock Data

VNIndex (Jul 22, pt)	1,265
Stock price (Jul 22, VND)	25,200
Market cap (USD mn)	4,443
Shares outstanding (mn)	4,467
52-Week high/low (VND)	25,200/17,724
6M avg. daily turnover (USD mn)	10.64
Free float / Foreign ownership (%)	80./30.
Major shareholders (%)	
ALP Asia Finance	10.0
Tran Hung Huy and Family	6.0

Performance

	1M	6M	12M
Absolute (%)	0.0	0.1	0.4
Relative to VNIndex (%p)	0.0	0.1	0.3

Stock price trend



Source: Bloomberg

	2019A	2020A	2021A	2022A	2023A
TOI (VND bn)	16,097	18,161	23,564	28,790	32,747
chg. (% YoY)	14.7	12.8	29.7	22.2	13.7
PPE (VND bn)	7,790	10,537	15,334	17,185	21,872
Net profit (VND bn)	6,010	7,683	9,603	13,688	16,045
EPS (VND, adj.)	1,527	1,939	2,434	3,486	4,092
chg. (% YoY)	14.8	27.0	25.5	43.2	17.4
PB (x)	1.8	2.0	1.5	1.5	1.4
PE (x)	8.4	9.4	6.9	6.5	6.2
P/PPE (x)	14.4	10.6	7.3	6.5	5.1
NIM (%)	3.6	3.7	4.0	4.3	3.9
ROE (%)	24.6	24.3	23.9	26.5	24.8
ROA (%)	1.7	1.9	2.0	2.4	2.4
Dividend yield (%)	0.0	0.0	0.0	0.0	3.8
CAR (%)	10.9	11.1	11.2	12.8	12.5

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Research Dep

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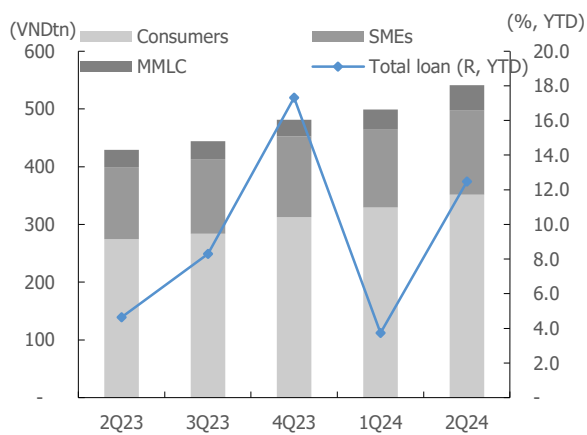
Remaining non-performing loans with expected controls

- 2Q24 NPL (3-5) maintained at 1.5% (vs 1Q24's 1.5%), contributed by CIC about 0.14% of total loan balances. ACB's non-performing loans belonged to the top lowest ratio in the industry and appeared across segments
- The management expects to control non-performing loans in 2024 amid the brighter business environment.

Recommendation and Ratings

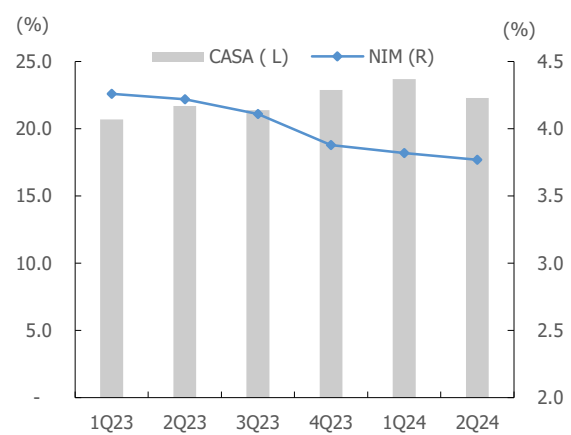
ACB is trading at PB of 1.5x, lower than peers' average of 1.65x (10% premium) and equalling to the five-year average of 1.5x.

Figure 1. Credit growth



Source: ACB, KISVN

Figure 2. NIM and CASA



Source: ACB, KISVN

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