

28 Oct 2024

Asia Commercial Bank (ACB)

A muted earnings season

A slight decrease in 3Q24 earnings growth

- 3Q24 PBT only grew -4%yoy (to VND4,844bn) due to a significant decrease in non-interest incomes (-43%yoy) despite a moderate growth of net interest incomes (+11%yoy). Non-interest incomes dropped by -43%yoy due to FX activities (-47%yoy) and investment (-88%yoy) from a high-base 3Q23. Meanwhile, operating expenses (+2%yoy) and risk provision expenses (-31%yoy) were manageable.
- 9M2024 PBT rose +2%yoy to VND15,335bn, completing 70% of the 2024 target.

A slight increase in 3Q24 credit growth

- 3Q24 total credit rose slightly from 2Q24's +12.8%YTD to 3Q24's +13.8%YTD, higher than the industry's +9%YTD. 3Q24 Credit growth was almost uniform across segments: (1) SMEs/MMLC rallied +7.7%YTD/+51%YTD (2) Consumer loans loan accelerated +12.3%YTD, resulting from all consumer segments.
- 2024 Credit quota is granted by 18.4%, leaving the remaining 4.6% credit growth for 4Q24. The management expects business lending to keep driving credit growth in the coming time due to weak retail credit demand.
- According to the management, 3Q24 NIM slightly fell to 3Q24's 3.82%, lower than 2Q24's 3.88% and 3Q23's 4.23% due to (1) price competition for higher credit growth (2) preferential interest rates to support customers despite the lower cost of fund.
- 3Q24 Customer deposit growth (+6.1%YTD) was lower than credit growth (13.8%YTD), leading to the LDR increase from 78.1% in 4Q23 to 82.4% in 3Q24.

12M rating **NON-RATED**

12M TP

Up/Downside

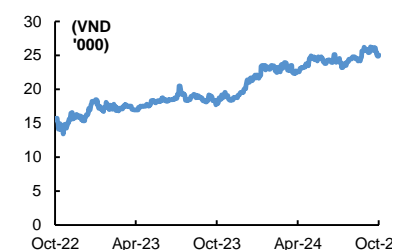
Stock Data

VNIndex (Oct 28, pt)	1,255
Stock price (Oct 28, VND)	25,050
Market cap (USD mn)	4,408
Shares outstanding (mn)	4,467
52-Week high/low (VND)	26,250/17,892
6M avg. daily turnover (USD mn)	8.77
Free float / Foreign ownership (%)	79./30.
Major shareholders (%)	
Tran Hung Huy and related parties	8.6
Smallcap world fund incorporation	2.5

Performance

	1M	6M	12M
Absolute (%)	0.0	0.1	0.4
Relative to VNIndex (%p)	0.0	0.1	0.2

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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Non-performing loans

- 3Q24 NPL (3-5) maintained at 1.49% (vs 2Q24's 1.48%), contributed by CIC about 0.09% of total loan balances. ACB's non-performing loans belonged to one of the top lowest ratios in the industry. The management expects to control 2024 NPL below 1.5% amid the brighter business environment.
- LLCR rose slightly to 80.5% in 3Q24 from 77.8% in 2Q24 thanks to lower bad debt settlement.
- The restructuring loan balance (Circular 02) accounted for 0.2% of total loans. Customers affected by Yagi typhoon comprised less than 0.5% of the total and were classified in group 1.

Recommendation and Ratings

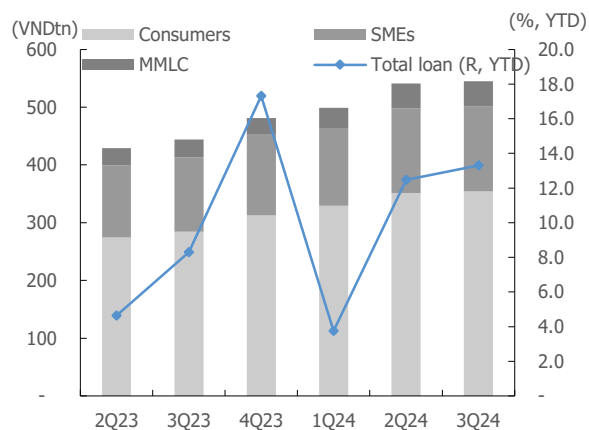
ACB is trading at PB of 1.41x, lower than peers' average of 1.62x (15% premium) and equaling to the five-year average of 1.54x (9.2% premium)

Table 1: Snapshot of income statement

						Units: VNDbn, %			
	3Q23	2Q24	3Q24	qoq	yoy	9M23	9M24 yoy	2024 Planning	%
Net interest income	6,209	7,112	6,881	(3.2)	10.8	18,670	20,714 11.0		
Total operating income	8,424	8,652	8,136	(6.0)	(3.4)	24,368	24,956 2.4		
Profit before provision expense	5,556	6,186	5,202	(15.9)	(6.4)	16,507	16,793 1.7		
PBT	5,035	5,598	4,844	(13.5)	(3.8)	15,024	15,335 2.1	22,000	70

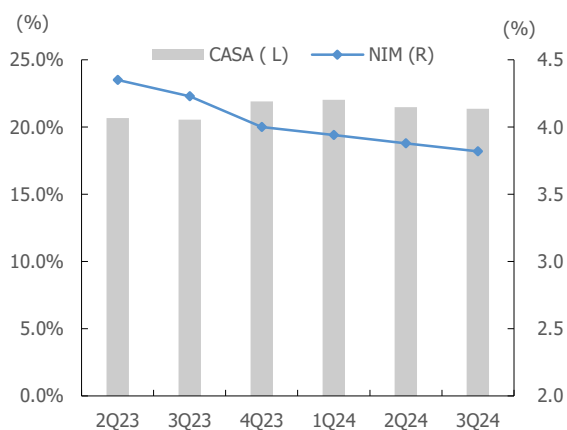
Source: Company data, KIS

Figure 1. Credit growth



Source: ACB, KISVN

Figure 2. NIM and CASA



Source: ACB, KISVN

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