

23 Jan 2025

Asia Commercial Bank (ACB)

Defending earnings growth

AM briefing

We tuned in to ACB's analyst meeting on Jan 22, which shed some light on its 4Q24 operational updates.

Defending earnings growth in 4Q24

- 4Q24 PBT jumped +12.4%yoy (to VND5,671bn thanks to (1) net interest incomes (+12.6%yoy), (2) manageable operating expenses (-9.1%yoy), and (3) lower risk provision expenses (-54%yoy). Meanwhile, non-interest incomes dropped by -29.2%yoy mainly due to fewer investment activities as the market trend.
- 2024 PBT only rose +4.7%yoy to VND21,006bn, completing 95% of the 2024 target.
- ACBS, one of the subsidiaries, had impressive results in 2024: (1) PBT rose by +72%yoy (2) margin lending incomes tripled, and (3) total assets doubled.

Accelerated credit growth in 4Q24

- 4Q24 total credit rose slightly from 3Q24's +13.8%YTD to 4Q24's +19.1%YTD, higher than the industry's +15.08%YTD. Large corporate loans drove the total credit growth, followed by retail and SMEs.
- ACB keeps focusing on retail and SME while gradually expanding large corporate segments. Management anticipates that Retail lending could rebound in 2025, fueled by increased credit demand, thereby boosting overall credit growth.
- NIM slightly fell from 2023's 3.89% to 2024's 3.62% due to (1) price competition for higher credit growth and (2) preferential interest rates to support customers despite the lower cost of funds. The management expects 2025 NIM to remain stable.

12M rating **NON-RATED**

12M TP

Up/Downside

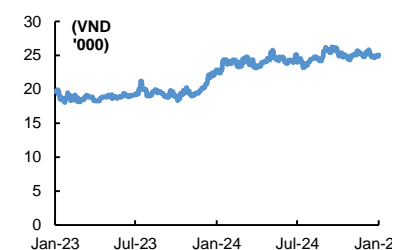
Stock Data

VNIndex (Jan 23, pt)	1,257
Stock price (Jan 23, VND)	25,050
Market cap (USD mn)	4,468
Shares outstanding (mn)	4,467
52-Week high/low (VND)	26250./22392.
6M avg. daily turnover (USD mn)	6.82
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	0.0	0.1
Relative to VNIndex (%p)	0.0	0.0	0.1

Stock price trend



Source: Bloomberg

	2020A	2021A	2022A	2023A	2024A
TOI (VND bn)	18,161	23,564	28,790	32,747	33,515
chg. (% YoY)	12.8	29.7	22.2	13.7	2.3
PPE (VND bn)	10,537	15,334	17,185	21,872	22,612
Net profit (VND bn)	7,683	9,603	13,688	16,045	16,790
EPS (VND, adj.)	2,808	2,799	3,486	4,092	3,669
PB (x)	2.0	1.5	1.5	1.4	1.3
PE (x)	9.41	6.90	6.49	6.04	6.61
P/PPE (x)	10.5	7.2	6.5	5.1	4.9
NIM (%)	3.7	4.0	4.3	3.9	3.6
ROE (%)	24.3	23.9	26.5	24.8	21.8
ROA (%)	1.9	2.0	2.4	2.4	2.1
Dividend yield (%)	0.0	0.0	0.0	4.0	4.0
CAR (%)	11.1	11.2	12.8	12.5	N/A

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

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Remained non-performing loans

- 4Q24 NPL (3-5) remained stable at 1.5%, consistent with the previous quarter. CIC contributed approximately 0.1% of total loans. Non-performance loans spread across all segments: retail and business loans. 4Q24 LLCR remained at 78%, compared to 80% in 3Q24.
- ACB's non-performing loans belonged to one of the top lowest ratios in the industry. The management expects to control 2025 NPL below 1.5% amid the brighter business environment.
- The restructured loan balance (Circular 02) accounted for 0.2% of total loans, equivalent to VND1,139bn (-47%YTD). Around 86% of restructured loans were in group 1. ACB proactively managed to minimize the possibility of becoming bad debt after Circular 02 expired at the end of 2024.

Recommendation and Ratings

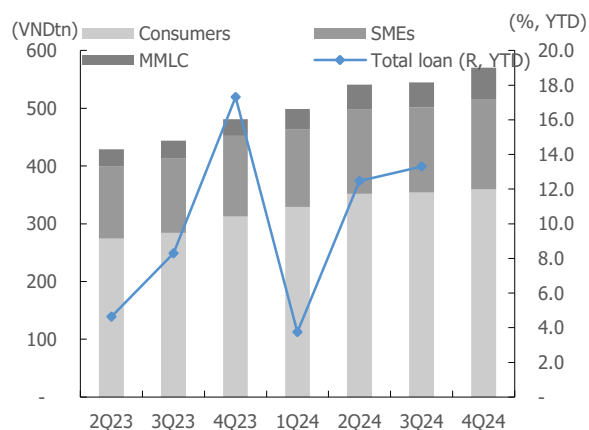
ACB is trading at PB of 1.33x, lower than peers' average of 1.61x (21% premium) and equating to the five-year average of 1.54x (16% premium)

Table 1: Snapshot of income statement

						Units: VNDbn, %				
	4Q23	3Q24	4Q24	qoq	yoy	2023	2024	yoy	2024 Planning	2024 planning %
Net interest income	6,290	6,881	7,081	2.9	12.6	24,960	27,795	11.4		
Net fee incomes	2,089	1,255	1,478	17.8	(29.2)	7,787	5,720	(26.5)		
Total operating income	8,378	8,136	8,559	5.2	2.1	32,747	33,515	2.3		
Opex	(3,013)	(2,934)	(2,740)	(6.6)	(9.1)	(10,874)	(10,903)	0.3		
Risk provision expenses	(322)	(358)	(147)	(58.9)	(54.0)	(1,804)	(1,606)	(11.0)		
PBT	5,044	4,844	5,671	17.1	12.4	20,068	21,006	4.7	22,000	95

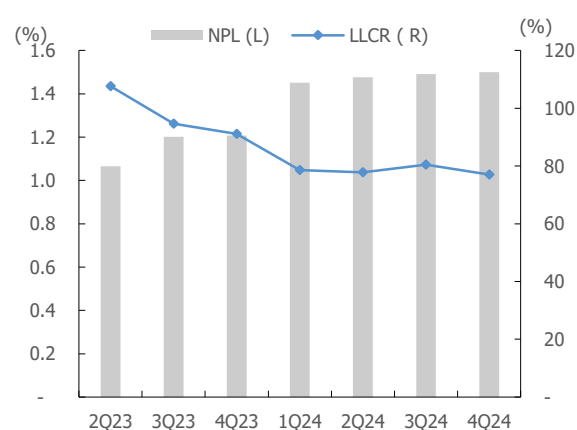
Source: Company data, KIS

Figure 1. Credit growth



Source: ACB, KIS Research

Figure 2. Non-performing loans



Source: ACB, KIS Research

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