



Company Report: Asia Joint Stock Commercial Bank (ACB)

Analyst
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Stay solid

BUSINESS RESULTS

Credit increased by 4.6%ytd. Profit before tax in the first half of the year reached nearly VND 10,000 bn, up 11% yoy and reaching 50% of the profit target in 2023. In which, interest income increased by 13% and non-interest income increased by 28%.

The bank's NIM narrowed to 4.02%. NPL ratio increased to 1.07%.

In the first half of the year, the bank has completed paying dividends for FY2022 (15% share dividend and 1,000VND/share cash dividend).

Business Expectations: The large credit growth limit of 14.5% (given by SBV) gives the bank more room to lend in the second half of the year. However, pressures on the lending market and the support interest rates package will pressure the bank's NIM. The bank's provision expense pressure is expected to decline in the second half of the year with the expectation of the provision reversal.

RECOMMENDATION

We maintain the same valuation of ACB as previously reported at **VND24,700/share** (after adjusting the dividend payout ratio for the first 6 months). ACB is suitable for the holding portfolio due to its solid business model, prudent risk appetite and first-class safety in the system.

Recommendation:

Hold
(Maintained)

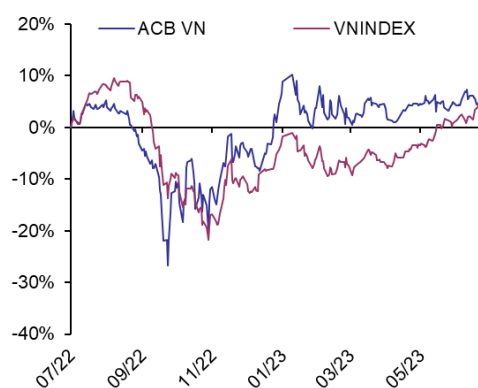
6-18m TP:

24,700

Current price:

VND22,000

Price performance



Price change	1 M	3 M	1Y
Abs. %	1.6%	4.3%	5.9%
Relative to VN index	7.7%	16.1%	5.6%
Avg price (VND)	21,948	21,735	20,679

Sources: Bloomberg, Guotai Junan (VN)

12/31	TOI (VND b)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	NIM (%)	CIR (%)	ROE (%)
2020A	23,564	9,603	3,498	-0.37	13.29	-	0.00	3.90	-34.93	23.90
2021A	28,790	13,688	4,008	14.58	17.30	-	0.00	4.10	-40.31	26.49
2022A	33,940	15,654	4,635	15.64	20.94	1,000	4.00	4.10	-37.00	24.24
2023F	38,649	17,768	5,261	13.50	26.20	-	0.00	4.00	-35.00	22.32
2024F	44,674	20,699	6,129	16.50	32.33	-	0.00	4.20	-35.00	20.94

Shares in issue (m)	3,884.05	Major shareholders (%)	Dragon Financial Holdings	6.92%
Market cap (VND b)	85,449.11	Free float (%)		55%
3- month average vol. ('000)	8,025.33	LDR (%)		79
52w high/low (VND)	23043 / 15174	CAR (%)		12.4

Sources: the Company, Guotai Junan (VN).

A MODEST GROWTH IN THE FIRST HAFT

In the first half of 2023, ACB recorded a credit growth of 4.6%ytd (lower than the industry growth rate of 4.73%). In which, lending to large corporates with an increase of 11.5%, became the segment with the highest credit growth rate. Individual and SME customers' loans grew by 3.3% and 6.1%, respectively.

The bank's NII in the first half of the year increased slightly by 13% yoy. Meanwhile, NIM dropped to 4.02% due to the pressure of lending interest rates falling faster than deposit rates.

Non-interest income recorded an increase of 28% thanks to the main driving force from card segment (+42%yoy), FX (+76%yoy) and profit from securities investment (recorded loss in the same period).

Meanwhile, operating expenses remained stable while income increased, helping the bank's CIR ratio down to 30%. However, the bank's provision expense increased sharply due to rising bad debts, making ACB's 6-month pre-tax profit nearly VND10,000 billion, up only about 11% yoy.

In terms of asset quality, along with the general movement of the industry, the bank's bad debt ratio increased in Q2 to 1.07%.

The Bank maintains its prudent business strategy with:

- Lending focusing on the retail segment. Outstanding loans related to real estate accounted for 24% of total credit. In which, mortgage accounted for 22% of the total outstanding loans of the bank, up 3%ytd.
- The bank's investment portfolio focuses on government bonds and does not have exposure to corporate bonds.

Business expectation:

The large credit growth limit of 14.5% (given by SBV) gives the bank more room to lend in the second half of the year. However, pressures on the lending market and the support interest rates package will put pressure on the bank's NIM.

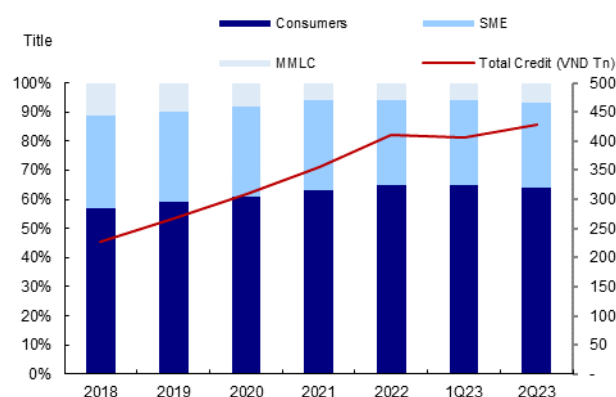
The bank's provision expense pressure is expected to decline in the second half of the year with the expectation of the provision reversal.

We believe that it is feasible for the bank to achieve the business target in 2023 thanks to: (i) large credit growth room, (ii) well-supported non-interest income and (iii) reduced provision expense pressure.

RECOMMENDATION

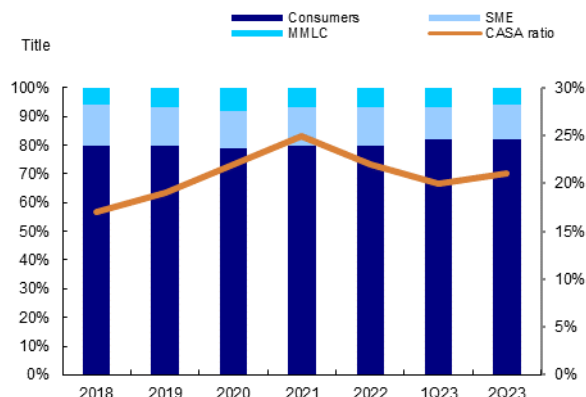
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Figure-1: Credit structure



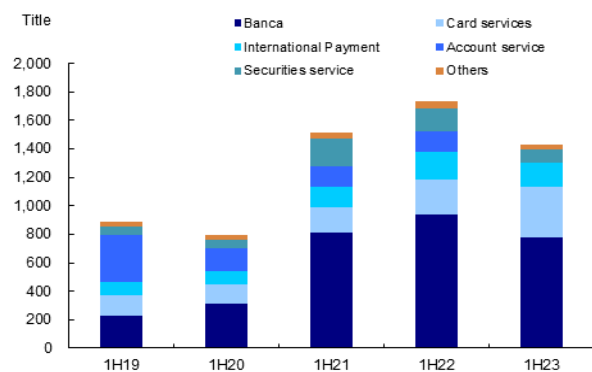
Source: ACB, Guotai Junan (VN).

Figure-2: Deposit structure



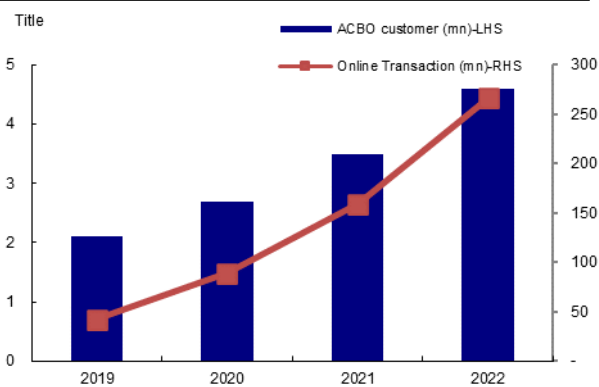
Source: ACB, Guotai Junan (VN).

Figure-3: Fee income structure



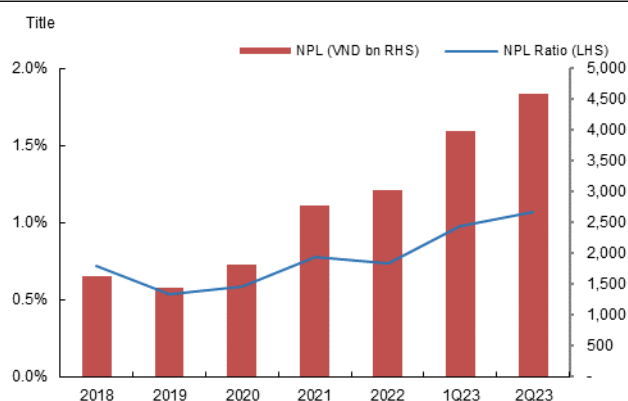
Source: ACB, Guotai Junan (VN).

Figure-4: Online transaction



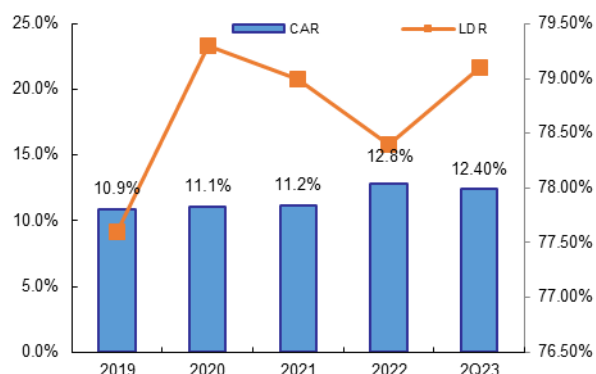
Source: ACB, Guotai Junan (VN)

Figure-5: Asset quality



Source: ACB, Guotai Junan (VN).

Figure-6: Liquidity and capital



Source: ACB, Guotai Junan (VN)

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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ACB (ACB)

Company Report