



Company Report: Asia Joint Stock Commercial Bank (ACB)

Analyst
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26/10/2023

Solid stock for holding portfolio

BUSINESS RESULT UPDATE

Credit growth was boosted in Q3, with a cumulative growth of 8.7% ytd in the first 9 months.

Pre-tax profit in the third quarter increased by 12.5%yoy. Accumulated in 9 months, PBT reached 15,000 billion VND, up 11.1%yoy. Of which, net interest income increased by 9.3% and non-interest income increased by 50%.

The bank's NIM continued to narrow compared to the previous 2 quarters. NIM in the third quarter alone decreased to less than 4%.

The bank's NPL ratio increased to 1.21%, leading to a higher provision expenses pressure.

The bank plans to pay 25% dividends for the period 2023-2024 (10% in cash and 15% in shares).

Business expectations: ACB currently receives a credit growth limit of 14.5% for the year 2023. However, according to the bank's assessment of the economic outlook in the last quarter of the year and a cautious business perspective, it is hard to fully utilize credit room. On the other hand, the bank's profit picture is still quite bright compared to its sector peers with double-digit profit growth compared to the same period last year.

RECOMMENDATION

We maintain the same valuation of ACB as previously reported at **VND24,700/share**. 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)

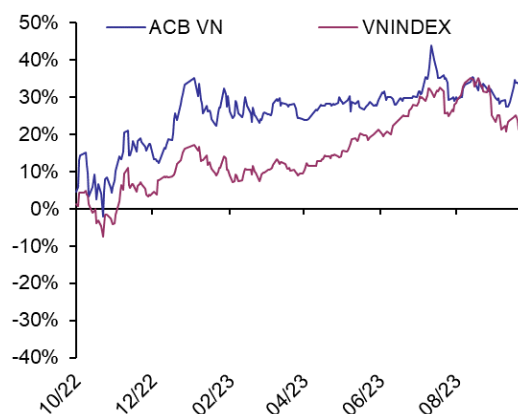
6-18m TP:

24,700

Current price:

VND22,000

Price performance



Price change	1 M	3 M	1Y
Abs. %	-0.5%	-1.1%	23.5%
Relative to VN index	-4.9%	-9.1%	33.9%
Avg price (VND)	22,080	22,440	21,300

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	1,000	0.00	4.00	-35.00	22.32
2024F	44,674	20,699	6,129	16.50	32.33	1,000	0.00	4.20	-35.00	20.94

Shares in issue (m)	3,884.05	Major shareholder (%)	Dragon Financial Holdings	6.92%
Market cap (VND b)	85,060.70	Free float (%)		55%
3- month average vol. ('000)	7,946.29	LDR (%)		80.4
52w high/low (VND)	24400 / 15565	CAR (%)		12.8

Sources: the Company, Guotai Junan (VN).

VERY SOLID WITH A TWO-DIGIT PROFIT GROWTH

Like most banks in the system, ACB's credit growth accelerated in the third quarter (compared to the previous two quarters). The key credit growth drivers in the first 9 months of the year mainly came from corporate customers with an increase of over 10% ytd. Meanwhile, the individual customer group (the bank's key business segment) grew at the slower rate at 7% ytd (households business increased sharply by 16% ytd while mortgage lending only increased by 5%ytd).

In terms of mobilization, ACB's deposit growth is moderate with an increase of 7.4% ytd. In particular, the CASA balance has recovered to the same level as at the beginning of the year after a sharp decrease in the previous 2 quarters, helping COF decrease slightly. However, the decrease in lending rate and preferential interest rate policies caused the bank's NIM to continue to narrow in the third quarter to 3.88%. On average in the first 3 quarters of the year, the bank's NIM is around 4.1%.

Despite the expanding credit scale, the narrowed NIM caused the bank's interest income in the third quarter to increase slightly over the same period last year (from VND 6,032 billion to VND 6,209 billion). Accumulated for 9 months, NII grew nearly 10% over the same period last year.

FX and securities investment led non-interest income

Following the achievements of the previous two quarters, the bank's income from FX and securities trading continued to improve in the third quarter. Specifically, net profit from foreign exchange trading increased by 229% to VND 315.7 billion in the third quarter, helping 9M total net profit from this activity reach 1,081 billion VND, doubling compared to the same period last year. Securities business activities recorded a profit of more than 800 billion VND in the third quarter and 1,289 billion VND in the first 9 months of the year compared to a loss of 23 billion VND in the same period last year.

Meanwhile, the bank's service activities recorded a decline, mainly due to the impact of insurance cooperation activities this year (the slowdown happens in the whole sector).

In terms of asset quality, the NPL ratio of the bank increased to 1.21%, in line with the sector movement.

The increase in non-performing loans during the period mainly came from the increasing NPL ratio of individual customers at 1.16% while the NPL ratio of large corporates exceeded 2%.

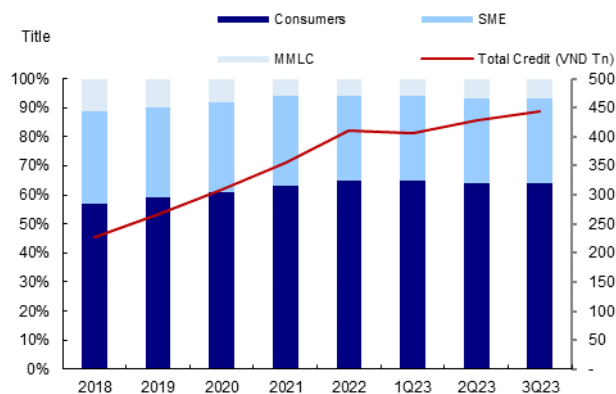
COMMENTS

With business results in the first 9 months of the year, ACB is one of the few banks in the system that recorded double-digit profit growth. We highly recommend ACB with a sustainable and prudent business strategy that helps control the quality of income and assets (focusing on developing the loyal retail customer base, with very low exposure to real estate business lending, and no exposure to corporate bond). In terms of management, ACB met Basel III standards and applied capital adequacy and liquidity ratios early that helps the bank to easily breathe while still maintaining and meeting SBV's requirements.

Business expectations: ACB currently receives a credit growth limit of 14.5% for the year 2023. However, according to the bank's assessment of the economic outlook in the last quarter of the year and a cautious business perspective, it is hard to fully utilize credit room. On the other hand, the bank's profit picture is still quite bright compared to its sector peers with double-digit profit growth compared to the same period last year.

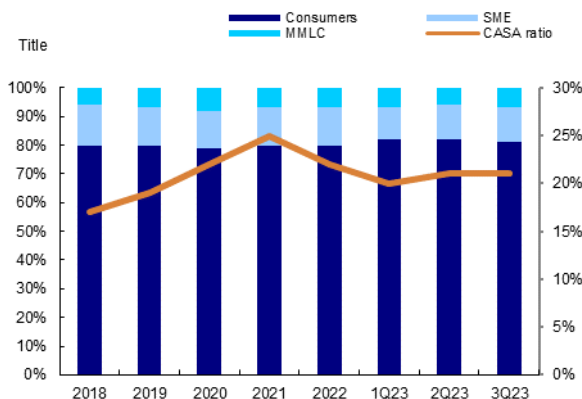
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Figure-1: Credit breakdown by segment



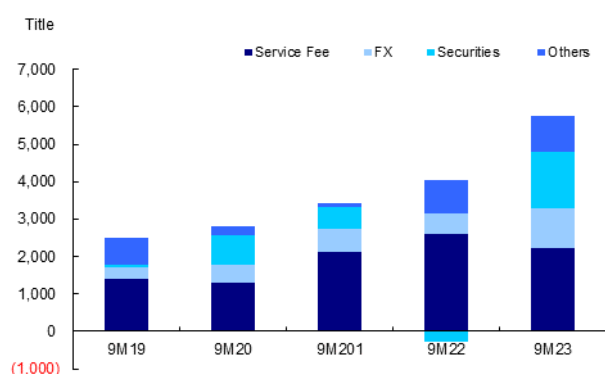
Source: ACB, Guotai Junan (VN).

Figure-2: Deposit breakdown by segment



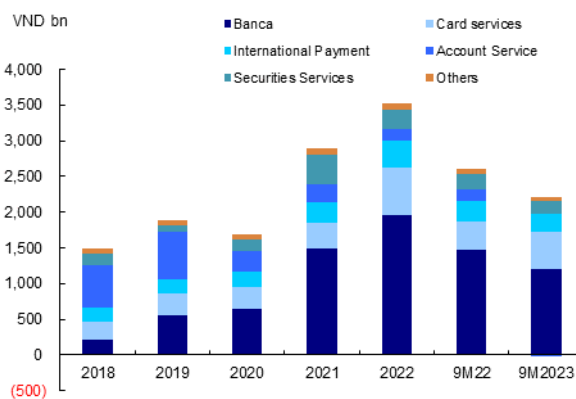
Source: ACB, Guotai Junan (VN).

Figure-3: Non-interest income breakdown



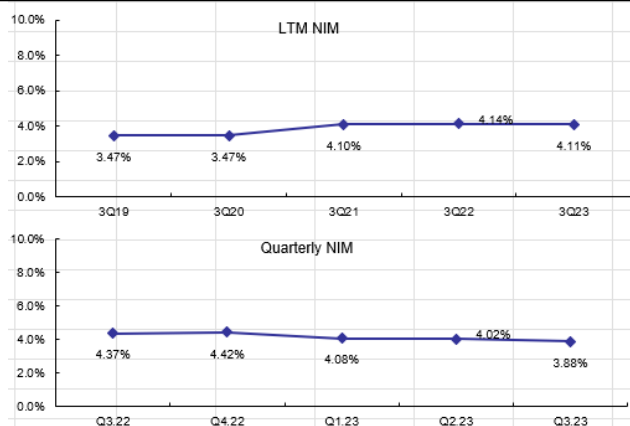
Source: ACB, Guotai Junan (VN).

Figure-4: Fee income breakdown



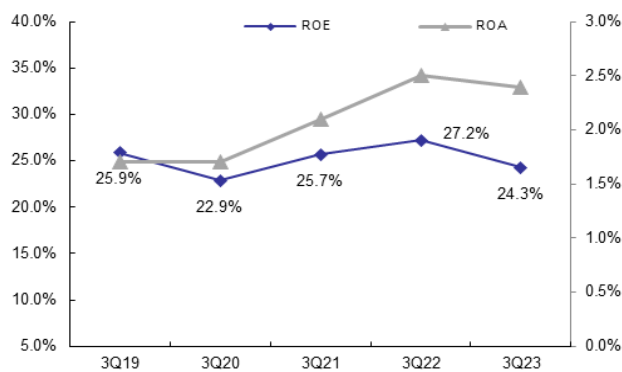
Source: ACB, Guotai Junan (VN)

Figure-5: NIM



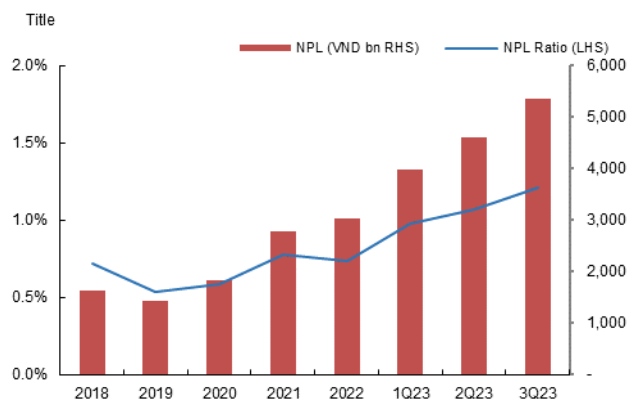
Source: ACB, Guotai Junan (VN).

Figure-6: Profitability



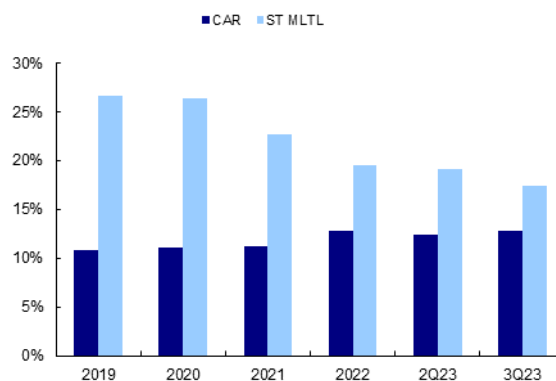
Source: ACB, Guotai Junan (VN)

Figure-7: Asset quality



Source: ACB, Guotai Junan (VN).

Figure-8: Liquidity and capital adequacy



Source: ACB, Guotai Junan (VN)

26 Oct 2023

ACB (ACB)

Company Report

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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Company Report