



Company Report: Asia Joint Stock Commercial Bank (ACB)

 Research Department
 22/7/2024

Updated business results for the first half of the year

UPDATE BUSINESS ACTIVITIES

Credit growth in the first half of the year reached 12.5% ytd. Of which, retail outstanding debt increased by 12.5%ytd, SME increased by 7.2%ytd and large enterprise customers increased by 37.6%ytd.

Profit before tax in the first half of the year reached 10,491 billion VND, up 5%yoy, of which, profit in the second quarter increased by 14%yoy.

NIM net interest income margin continued its downward trend to 3.77% in the second quarter of 2024 due to low lending interest rates and increased deposit interest rates.

The bad debt ratio increased to 1.5% from 1.47% at the end of the first quarter.

The bank continues to have no outstanding corporate bond debt.

RECOMMENDATION

We believe that ACB will fully utilize the credit growth limit granted this year at around 16%.

Interest income played a leading role in the bank's profit growth in the first half of the year. Regarding non-interest business activities, service fee activities (except banca) as well as FX and investment activities still maintain positive profit growth.

In terms of asset quality, we expect the bank's bad debt ratio to have approached its peak and will move sideways or decrease slightly in the next 2 quarters.

We maintain our "Hold" recommendation on ACB shares.

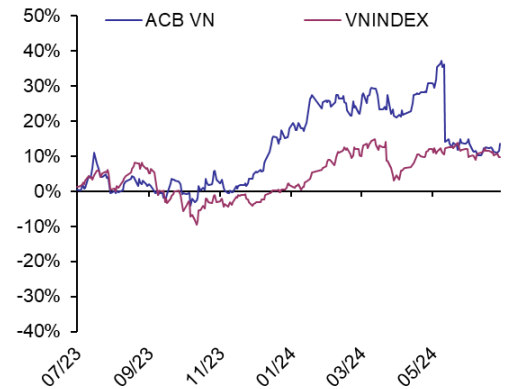
Recommendations:

Holding

6-18m TP:	25,500
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Current price:	VND25,100
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Price performance



Price change	1 M	3 M	1Y
Price change %	2.2%	-5.6%	14.1%
Compare with VN index	1.1%	2.0%	21.9%
Average price (VND)	24,224	24,351	21,877

Source: Bloomberg, Guotai Junan (VN)

Shares in issue (m)	4,466.66	Major shareholders (%)	Vietnam Enterprise Investment Ltd 5.48%
Market cap (VND b)	110,549.78	Free float (%)	80%
3-month average vol ('000)	9,548.63	LDR (%)	82
52w high/low (VND)	26261 / 18217	CAR (%)	15

Nguồn: the Company, Guotai Junan (VN).

UPDATED BUSINESS RESULTS FOR THE FIRST HALF OF 2024

1. Credit

Compared to the industry as a whole, ACB is one of the banks with the highest credit growth in the first half of 2024. The bank's total outstanding credit at the end of June was 541 trillion VND, up 12.5% year over year. Compared to the end of the first quarter, the bank's outstanding credit balance increased by 42 trillion in the second quarter alone, or +8.4%qoq. This is a relatively large increase given the bank's history of credit growth. This also partially reflects the picture of credit growth that the banking sector as a whole has seen in response to initiatives to encourage outstanding loans to support economic development and the enhancement of banks' business environments.

Going further into the factors driving credit growth, the retail segment saw a notable rise in credit balance for residential home loans and household business loans, with increases of 12% and 8% year over year, respectively. In line with the robust rebound of Vietnam's overall trade picture in the first half of this year, the outstanding business loans in the commercial sector experienced a sharp rise of 21% year over year in the corporate lending segment.

2. Profit

With high credit growth boosting interest income, ACB's total pre-tax profit reached VND 5,598 billion in the second quarter, up 14%qoq and up 16%yoy. Meanwhile, the bank's non-interest income recorded an improvement compared to the first quarter (up 6.5%qoq). In the second quarter alone, ACB's non-interest income recorded a decrease of more than 13.3% compared to the same period last year. Cumulatively in the first 6 months of the year, recorded a decrease of 14.2%yoy in non-interest income. The reasons for the above decrease come from: (1) the lack of one-time profits from securities investment activities recorded in 1H2023 and (2) the second more important reason is the bank's banca income. Banks are strongly affected by policies related to cross-selling insurance activities of the banking system. However, currently ACB's insurance sales are still number 1 in the market.

Regarding business performance, the bank's NIM continued its downward trend due to competitive pressure on the system as well as the policy of cutting interest rates for customers. NIM at the end of the second quarter was 3.77% and we expect this ratio to stay flat in the remaining 2 quarters.

Regarding mobilization sources, the bank's CASA ratio decreased slightly compared to the end of the first quarter because CASA increased more slowly than the amount of term deposits. The trend of increasing term deposits in the system is confirmed in the context of banks, especially the private commercial sector increasing interest rates on term deposit mobilization, estimated at 0.7%-1% in the second quarter to collect revenue. attract deposits.

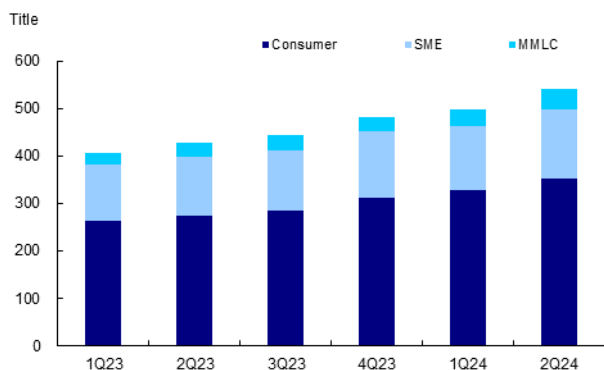
3. Asset quality and capital safety

ACB's bad debt ratio increased slightly compared to the previous quarter, to 1.5%. However, according to ACB Bank's opinion in the meeting announcing Q2 business results, the bank's bad debt has shown signs of cooling down in the last month. This creates expectations that the bank's bad debt ratio will become more positive in the near future.

Regarding investment and lending portfolio structure, ACB still focuses on the government bond and bond investment portfolios of credit institutions. Meanwhile, the bank's outstanding real estate business loans account for 4% of total outstanding loans.

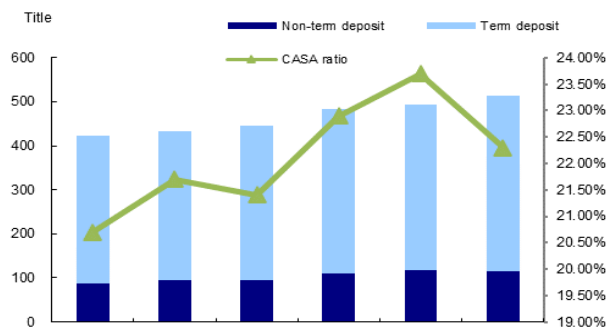
Regarding liquidity indicators, ACB is still in the group of leading banks in terms of system safety and liquidity with the ratio of short-term capital for medium and long-term loans being 17.6%, much lower than the prescribed ceiling. is 30%. This also opens up the prospect of medium and long-term lending space for businesses in areas that require long-term capital structures such as investing in new projects or lending to industrial park real estate.

Figure-1: Credit structure by segments



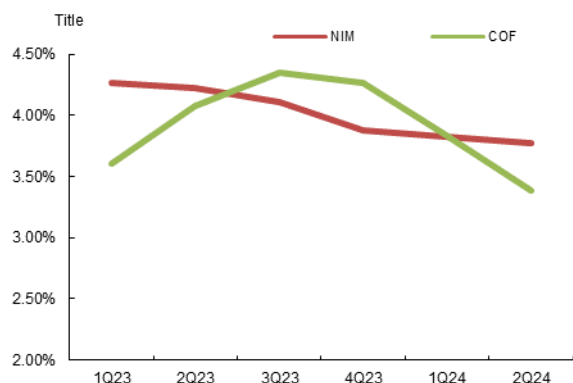
Source: ACB, Guotai Junan (VN).

Figure-2: obilization structure



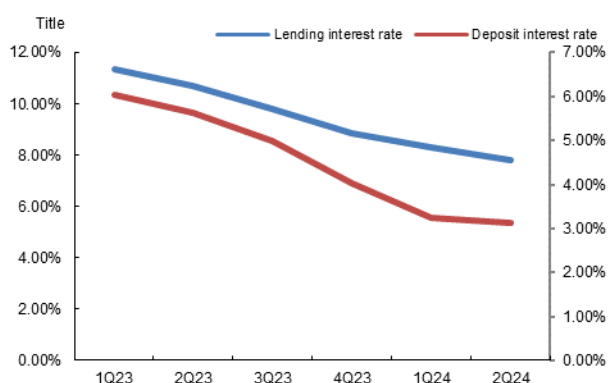
Source: ACB, Guotai Junan (VN).

Figure-3: NIM vs COF



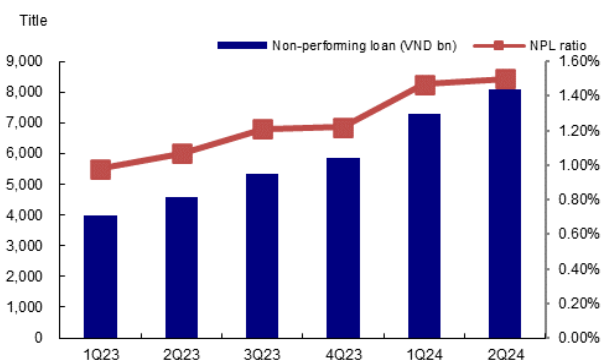
Source: ACB, Guotai Junan (VN).

Figure-4: Lending vs Deposit interest rate



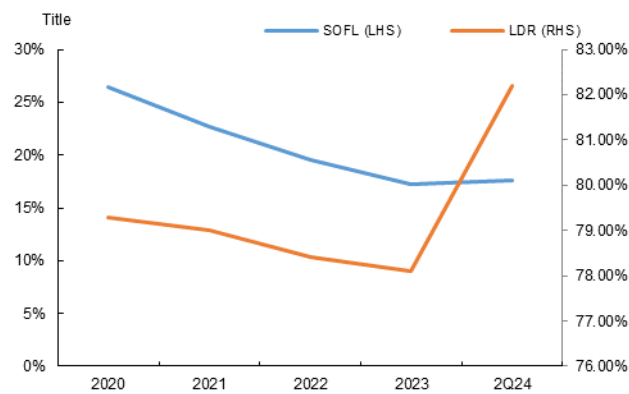
Source: ACB, Guotai Junan (VN)

Figure-5: Non – performing loan group 3-5



Source: ACB, Guotai Junan (VN).

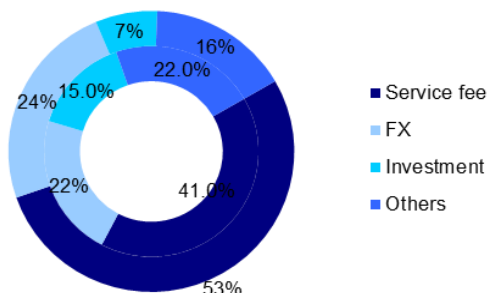
Figure-6: Liquidity



Source: ACB, Guotai Junan (VN)

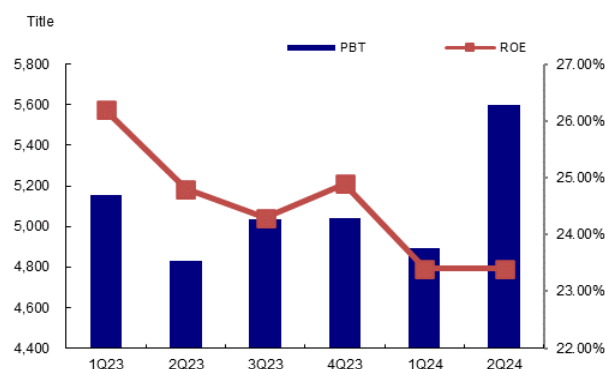
Figure-7: NFI income structure

NFI breakdown
(In: 1H2023; Out: 1H2024)



Source: ACB, Guotai Junan (VN).

Figure-8: PBT và ROE



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% OrThe Fundamental outlook of the sector is unfavorable

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Company Report