CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

## Company Report:

## Asia Commercial Joint Stock Bank (ACB)

Research Department
29/07/2025

# First-Half 2025 Business Results Update

**UPDATE ON BUSINESS OPERATIONS**

**Credit** increased 9.1% YTD, below the industry average. This result reflects the challenges ACB faces in expanding its credit portfolio amid a difficult Southern credit market in 1H (according to the bank). Contributing to the credit-growth momentum in 1H, the retail and SME segments (accounting for approximately 90% of outstanding loans) rose +7.7% and +5.6% YTD, respectively, while large-corporate lending (MMLC) surged +25.1% and FDI lending jumped +71%, indicating headroom to further accelerate the bank's lending

In 1H, ACB recorded **profit before tax** of VND 10,690 billion, with modest growth of +2% YoY, achieving 46% of its annual plan. Non-interest income rose +39% YoY, offsetting the decline in NII and a compressed NIM of 3.27% due to competitive deposit rates and elevated funding costs.

**Asset quality control** remains a strength: the NPL ratio fell to 1.26% (non -CIC NPL at 1.18%), and the loan-loss coverage ratio rose to 76%. There is no corporate-bond exposure, and real-estate lending remains low. CAR reached 11.08%, still above the minimum requirement after dividend distribution and the ACBS capital increase.

**ROA** reached 2%, and **ROE** reached 20.6%, keeping ACB among the system leaders.

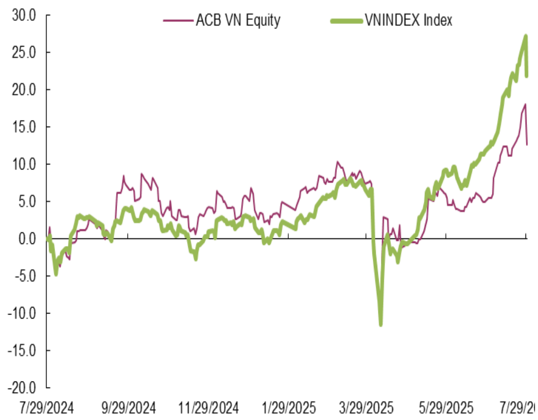
**ASSESSMENT**

We are confident in ACB's long-term business prospects, given its client base and core strengths in SMEs and retail customers—key priorities of the economy and aligned with Resolution 68 on the private sector, which aims to grow the SME count to 2 million by 2030 (nearly three times today's level).

We maintain an **ACCUMULATE** recommendation on ACB shares, based on (1) a consistent credit strategy with strong asset-quality control and no corporate-bond risk; and (2) superior profitability (ROE > 20%) despite temporary margin compression.

| | |
|---|---|
| Recommendation: | **ACCUMULATE** |
| 6-18m TP: | **25,500** |
| Current price: | VND22,850 |

1-Year Share Return Performance




| Price change | 1 M | 3 M | 1Y |
|---|---|---|---|
| Price change % | 13% | 19% | 18% |
| Vs Vnindex | 14% | 27% | 25% |
| Average price (VND) | 22,372 | 21,465 | 21,229 |

*Source: Bloomberg, Guotai Junan (VN)*

| | | | |
|---|---|---|---|
| Shares Outstanding (million shares) | 5,136 | Major Shareholders (%) | Sather Gate Investments Limited 4.99% |
| Market Capitalization (VND billion) | 121,225 | Free float (%) | 90% |
| 3-Month Average Trading Volume ('000) | 10,943 | LDR (%) | 81.97% |
| 52-Week High/Low Price (VND) | 23,850 / 18,172 | CAR (%) | 11.1% |

*Source: the Company, Guotai Junan (VN).*

## UPDATE ON 1H 2025 BUSINESS RESULTS

### 1. Credit Growth

Consolidated outstanding loans reached VND 634 trillion, **up 9.1% YTD**, below the industry average of 9.9% YTD. Specifically:

- **Retail:** +7.7%, driven by mortgage lending (+8%) and consumer loans (+3%), in line with ACB's conservative risk appetite.
- **Retail:** +7.7%, driven by mortgage lending (+8%) and consumer loans (+3%), in line with ACB's conservative risk appetite.
- **MMLC: +25.1%**, reflecting ACB's strategic shift to capture controlled growth opportunities amid a strong recovery in corporate credit demand. The Q2 spike was driven by proactive disbursements to financially sound corporate clients with large financing needs and strong repayment capacity, while maintaining disciplined asset quality. **MMLC and FDI** have become the principal growth drivers, with FDI lending up 71% since the start of the year.

This combination of robust MMLC growth and sustained asset quality in traditional segments demonstrates ACB's **flexible credit-allocation strategy**, with a continued focus on **risk management** and capital efficiency.

### 2. Profit Before Tax

Profit before tax for 1H 2025 reached VND **10,690 billion**, up **+2% YoY**, of which:

- **Net interest income (NII)** amounted to VND 13,043 billion, down 6% YoY. This was primarily driven by **NIM narrowing to 3.27%**—a 22 bp decline from Q1 and 44 bp decline from Q4 2024. This level is the lowest since early 2023 and clearly reflects heightened competition in lending. The compression largely stems from ACB's proactive reduction of lending rates to support credit growth, while funding costs rose more rapidly, especially on short-term deposits.
- During Q2, system-wide CASA faced headwinds from Decree 70, affecting retail and SME customer sentiment. Nevertheless, ACB's CASA inched **up to 22.6%** thanks to efforts to enhance customer experience and expand key segments, helping to partially contain funding costs. Notably, CASA in the MMLC and FDI segments rose by an impressive +**20% and +17%, respectively**.
- **Non-interest income (NFI)** reached VND 4,164 billion, **up +39% YoY**, offsetting the NII decline. Growth was driven by foreign-exchange trading (+74%), investment-securities (×2), guarantees (+40%), and other fees. Active debt-recovery efforts contributed significantly to the NFI increase. Insurance revenue declined due to policy factors, but ACB remains among the system leaders.

The cost-to-income ratio **(CIR)** stood at 31.5%, slightly higher than the previous quarter but still low by industry standards.

### 3. Asset Quality

The non-performing loan (NPL) ratio fell sharply from 1.49% in Q1 to 1**.27% at end-Q2 2025**, marking a clear improvement after peaking in the previous quarter. This 22-basis-point reduction reflects ACB's effective resolution of overdue loans through recovery efforts and strict risk controls.

The loan-loss coverage ratio (LLR) reached **75%**. Although this is below peer levels, it is not concerning given that 96% of the bank's loans are collateralized (predominantly real estate).

ACB intensified its **NPL resolution**, with recoveries and write-offs totaling **VND 3,972 billion** in Q2 2025—**up 110% YoY**. At the same time, upgrades of restructured loans from non-performing to performing status increased, illustrating the success of its restructuring efforts and enhanced recoverability. The bank's proactive stance—combining provisioning with active recovery measures—underscores its strong risk-management capabilities and commitment to asset-quality improvement.

The capital adequacy ratio (CAR) under Basel II stood at **11.08%,** down slightly from 11.82% at the start of the year, reflecting ACBS's capital injection and cash dividend payout.

Well-Controlled **Loan Portfolio:**

- No exposure to corporate bonds—a key advantage amid persistent bond-market risks at other banks.

- Real-estate lending remains low at approximately 4–5% of total loans.
- A high collateralization ratio of 96% helps mitigate potential losses in the event of defaults.

**4. Profitability Efficiency**

ACB's profitability metrics remained elevated in 1H 2025:

- **ROA (Return on Assets):** 2.1%, broadly stable YoY and well above the industry average of ~1.6–1.8%.
- **ROE (Return on Equity):** 20.6%, underscoring ACB's exceptional earning power despite sector-wide margin compression and rising funding costs.

Although NIM contracted slightly during the period, the maintenance of strong ROA and ROE reflects ACB's disciplined control of operating expenses (with a low CIR) and its strategic allocation of capital and resources toward high-yielding segments such as SMEs and MMLC.

**GTJA ASSESSMENT & 2025 OUTLOOK**

ACB's 1H 2025 results mirror the broader banking-sector environment, with two key takeaways:
(i) Net interest income faced significant headwinds from NIM compression—driven by low lending rates and elevated funding costs—amid intense industry competition;
(ii) Credit growth in 1H remained robust, reflecting an expanding economy and heightened lending demand compared to the same period last year.

On the other hand, ACB displays several distinctive attributes:

- **Prudent Growth Pace:** While ACB's loan growth outpaced its own last-year performance, it lagged the sector average, underscoring the operating challenges in its core Southern markets. This conservative, client-centric approach to loan origination and portfolio composition reflects a long-term strategic vision, prioritizing stability over rapid expansion.
- **Safe Credit Mix:** The loan book carries zero corporate-bond exposure, and real-estate lending remains a small proportion of total loans.
- **Improved Asset Quality:** The sharp decline in NPLs highlights both the cautious growth strategy and strong recovery efforts.
- **Consistent Profitability:** Elevated ROA and ROE—well above industry averages—demonstrate continued efficiency and capital allocation toward high-yield segments.

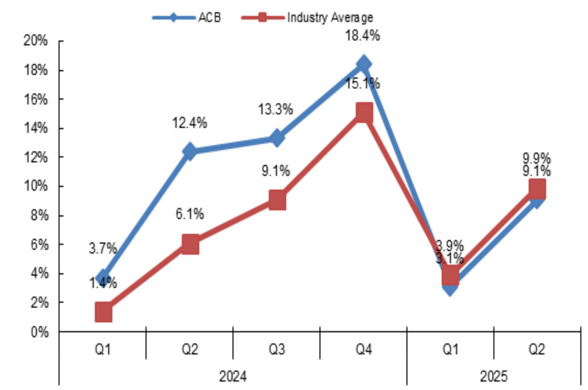
**BUSINESS OUTLOOK**

- ✓ Regarding business prospects for H2 2025, ACB targets full-year loan growth of 16–18%, in line with the system average. SME lending is expected to accelerate to 18% growth, consumer lending to exceed 15%, while smaller segments such as MMLC and FDI continue to expand.
- ✓ On profitability, NIM is expected to remain stable in H2 amid ongoing price competition. CASA should further improve thanks to contributions from MMLC and FDI segments. Additionally, the bank anticipates that headwinds from Decree 70 will be removed, allowing retail and SME CASA to recover. Non-interest income drivers—FX, investment activities, and improved insurance operations—will support profit growth and help ACB achieve its pre-tax profit target of VND 23 trillion in 2025.
- ✓ On the asset quality side, the NPL ratio should be maintained below 1.3%. The bank expects industry-wide NPLs to peak upon the new Credit Law's effective date of 1 October 2025, with the legalization of collateral seizure contributing positively to NPL resolution efforts.
- ✓ During the 1H 2025 results briefing, ACB also outlined its **2025–2030 strategic vision**: to become an efficient financial group through comprehensive product reform, significant technology investments, and ecosystem expansion via subsidiaries, associates, and strategic partnerships. Under this vision, ACB targets core financial metrics: ROE above 20%, non-interest income ratio above 20% of total operating income, and CASA exceeding 30% (among the highest in the sector).
- ✓ Recent rapid capital increases at ACBS (twice in 1H 2025) reflect the bank's consistent strategy. ACBS plays a critical role in cross-selling, leveraging ACB's existing customer base and enhancing yield through increased margin lending. ACB has no plans for an ACBS IPO in the near term.

- ✓ Further assessing the outlook, we remain confident in ACB' s long-term prospects, underpinned by its SME and retail customer focus—key pillars of the economy and aligned with Resolution 68 on the private sector—supporting the expansion of SMEs to 2 million enterprises by 2030, nearly three times the current count.

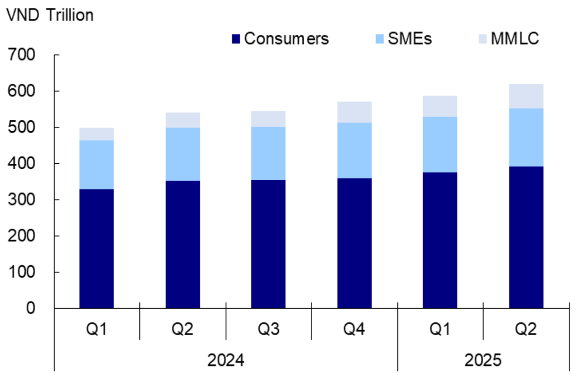
With the above assessments, ACB remains a company with strong prospects and is well-suited for long-term investors.

**Figure-1: Credit growth (Ytd)**



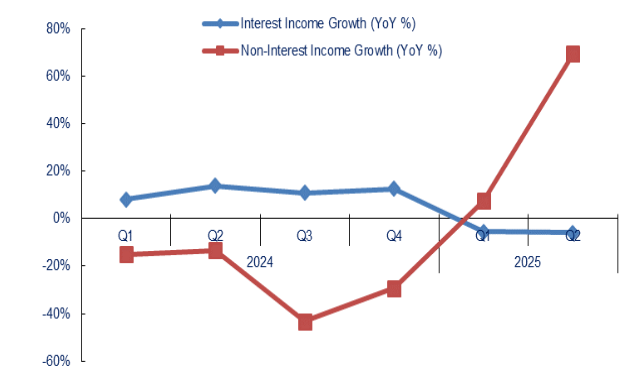

*Source: ACB, Guotai Junan (VN).*

**Figure-2: Loan Allocation by Customer Segment**



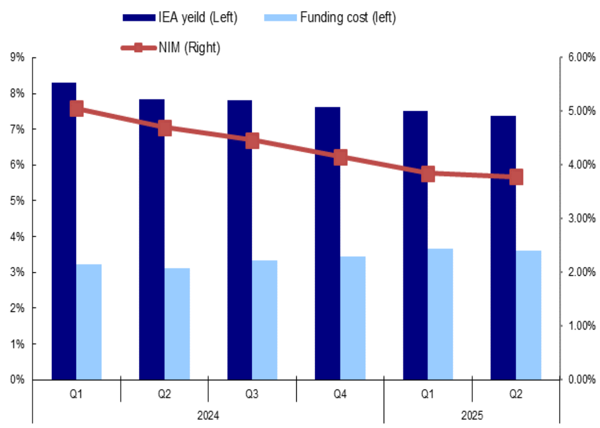

*Source: ACB, Guotai Junan (VN).*

**Figure-3: NII&NFI Growth**



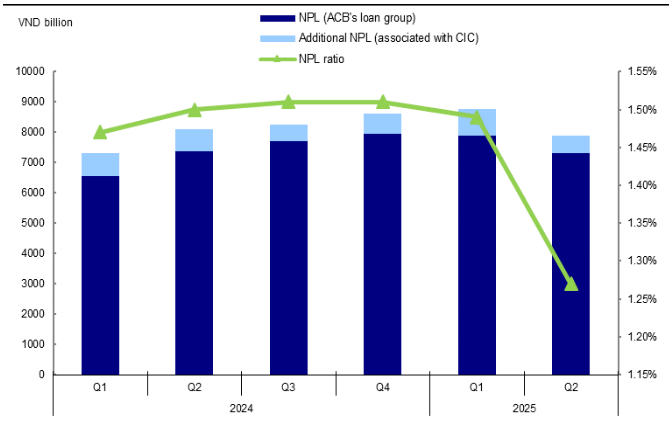

*Source: ACB, Guotai Junan (VN).*

**Figure-4: NIM Performance**



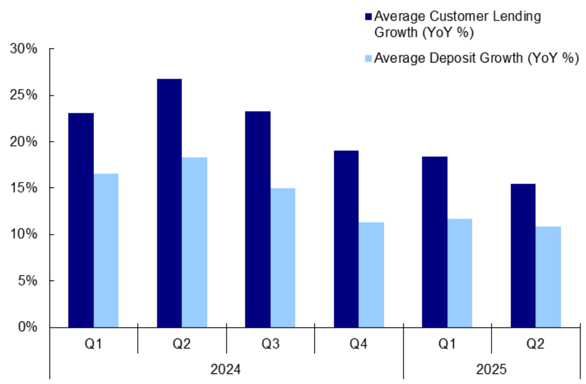

*Source: ACB, Guotai Junan (VN).*

**Figure-5: NPL**




*Source: ACB, Guotai Junan (VN).*

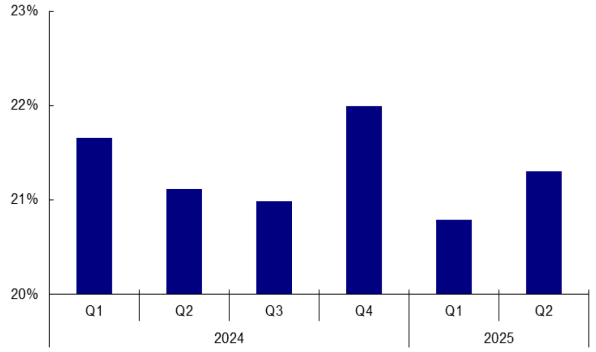
**Figure-6: Deposit & Loan Growth**

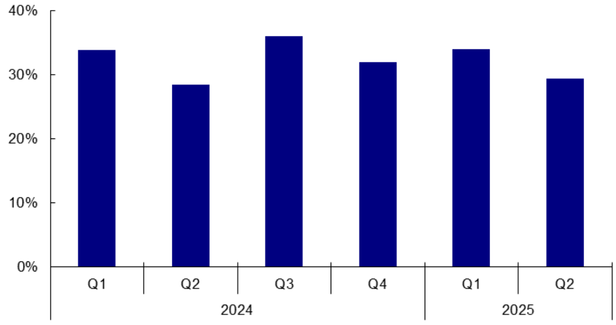



*Source: ACB, Guotai Junan (VN).*

**Figure-7: CASA Ratio**

**Figure-8: CIR Ratio**




*Source: ACB, Guotai Junan (VN).*

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## COMPANY RATING DEFINITION

Benchmark: VN – Index. Time Horizon: 6 to 18 months

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

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