

ASIA COMMERCIAL JSB (ACB)
FINANCIALS

Current Price	VND27,500
52Wk High/ Low	VND28,500/20,214
Target Price	VND28,300
Last Updated	12/27/2023
Last Rating	ADD
TP vs Consensus	-9.7%
Upside	2.9%
Dividend Yield	3.2%
TSR	6.1%

Market Cap	USD4,310mn
3MADTV	USD11.6mn
Foreign Room	USD0.0mn
Outstanding Shares	3,884.1mn

	ACB	VNI
P/E TTM	6.8x	14.0x
P/B Current	1.6x	1.7x
ROA	2.4%	2.1%
ROE	23.0%	12.5%

*as of 5/3/2024

Share Price Performance

Ownership

Chairman & related parties	11.3%
Dragon Financial Holdings Limited	6.9%
Others	81.8%

Business Description

Asia Commercial JSB (ACB) is a leading commercial bank in Vietnam, with a conservative strategy focusing on retail customers. The bank has a network of over 380 branches and 452 ATMs across the country, and serves over 5.2 million customers.

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Earnings fall as bad debt rises [In-line]

- 1Q24 PBT inched down 5.1% YoY to VND4.9tn (USD193mn) due to TOI remaining low and increases in operating and provisioning expense.
- We see no pressure on our target price of VND28,300, which we will update after further review.

TOI growth remained low due to Non-II

TOI maintained modest growth for a second quarter in 1Q24, inching up 3.1% YoY to VND8.2tn (USD323mn). The deceleration of TOI growth in 1Q24 came from a decrease of Non-II, while NII improved.

Non-II declined 15.1% YoY in 1Q24, following three quarters of vigorous increases, amid a decrease in the net gain from currency dealings and net other income. In 1Q24, ACB's net gain from currency dealings plunged 47% YoY, while net other income fell 89% YoY in 1Q24 due to a non-recurring item of VND390bn in 1Q23.

NII bounced back due to corporate loan demand

In 1Q24, NII broke its downward momentum since 1Q23, rising 8.1% YoY to VND6.7tn (USD264mn) and offsetting Non-II growth. NII growth in 1Q24 was driven by loan book surging 23.1% YoY (+3.8% YTD), the largest increase since 1Q17. ACB expanded its loan book through a tactical strategy of targeting corporate loans amid weak demand for retail loans. However, NIM compressed 0.4% pts YoY as COF fell 2.0% pts YoY and AY decreased 2.2% pts YoY. COF improved as a result of the low interest rate environment, and CASA rising to 22.0% from 20.1% in 1Q23 amid low deposit rates. Meanwhile, AY declined faster due to the higher proportion of corporate loans.

Operating cost rose off last year's low base

Operating profit before provision (PPOP) stayed flat at VND5.4tn (USD212mn) in 1Q24 amid a higher operating cost (OPEX) (+10.2% YoY). The increase of OPEX was mainly due to 1Q23's low base. Thus, 1Q24's CIR edged up to 33.8%, higher than that of 31.7% in 1Q23, but lower than the three-year average of 36.1%.

Asset quality showed signs of weakening

ACB's asset quality deteriorated in 1Q24 as a result of a higher NPL ratio and lower LLR ratio. The NPL ratio jumped to 1.5% in 1Q24 from 1.2% in 4Q23, which was higher than the five-year average of 0.8%. The rise of NPL was due to retail customers, who accounted for 94% of the loan book, still struggling amid slow economic growth. In the context of bad debt rising, ACB's credit cost rose to 0.4% in 1Q24 from 0.3% in 4Q23. In addition, LLR decreased to 79%, the lowest level since 2015, due to NPL formation soaring 184% QoQ, higher than the 59% QoQ surge of provision expense. Altogether, pre-tax profit inched down 5.1% YoY to VND4.9tn (USD193mn) in 1Q24.

	1Q23	1Q24	4Q23	FY23	FY24F (VND's forecast)	% of VND forecasts
NII YoY	14.2%	8.1%	-2.6%	6.1%	13.8%	24%
Non-interest income YoY	21.0%	-15.1%	41.9%	48.1%	8.9%	17%
OPEX YoY	-8.4%	10.2%	-25.9%	-6.3%	18.7%	21%
PPOP YoY	31.7%	-0.1%	38.9%	27.3%	9.6%	23%
Provision expenses YoY	-9104.6%	100.1%	28.4%	2447.8%	-28.7%	40%
Pre-tax profit YoY	25.3%	-5.1%	39.7%	17.3%	13.0%	22%
Loan growth YoY	8.2%	23.1%	17.9%	17.9%	8.8%	
Deposit growth YoY	9.5%	16.6%	16.6%	16.6%	16.4%	
NIM	4.2%	3.8%	3.8%	3.9%	3.9%	
Interest-earning asset yield	8.9%	6.8%	7.5%	8.1%	7.1%	
Cost of funds	5.3%	3.4%	4.2%	4.8%	3.6%	
CASA ratio	20.1%	22.0%	21.9%	21.9%	22.0%	
CIR	31.7%	33.8%	36.0%	33.2%	35.0%	
ROAE	26.3%	23.0%	24.8%	24.8%	22.7%	
NPLs / Gross loans	1.0%	1.5%	1.2%	1.2%	0.9%	
Group 2 loans / Gross loans	0.9%	0.8%	0.7%	0.7%	0.2%	
Loan loss reserves	116.6%	78.6%	91.2%	91.2%	110.8%	

Source: VNDIRECT RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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