ASIA COMMERCIAL JSB (ACB)

FINANCIALS

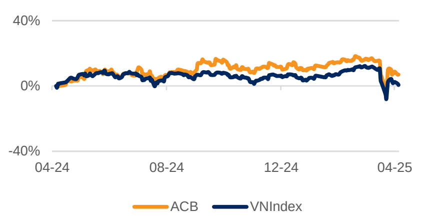
Current Price	VND24,100
52Wk High/ Low	VND26,650/21,800
Target Price	VND34,100
Last Updated	12/12/2024
Last Rating	ADD
TP vs Consensus	11.1%
Upside	44.4%
Dividend Yield	3.6%
TSR	48.0%

Market Cap	USD4,146.9mn
3MADTV	USD9.8mn
Foreign Room	USD0.0mn
Outstanding Shares	4,466.7mn

	ACB	VNI
P/E TTM	6.5x	11.9x
P/B Current	1.3x	1.5x
ROA	2.1%	3.2%
ROE	20.8%	13.8%

as of 4/23/2025

Share Price Performance



Ownership

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

Business Description

Established in 1993, Asia Commercial JSB (ACB) is a leading commercial bank in Vietnam, with a focus on sustainable growth and healthy assets. The bank has a network of over 388 branches across the country, and serves over 7.7 million customers.

Analyst(s):

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Subdued earnings amid margin squeeze, rising provisions - [Missed]

- 1Q25 TOI declined 3.1% YoY due to weaker NII and a sharp drop in investment gains, fulfilling 22% of our FY25 forecast.
- Operating expenses fell 2.6% YoY, while provision expenses soared, resulting in pre-tax profit reaching 19% of FY25F, below our expectation.
- We see rising pressure on our target price of VND34,100, which we will update after further review.

Topline dragged lower by shrinking NIM and investment losses

ACB reported a 3.1% YoY decline in total operating income (TOI) in 1Q25, fulfilling only 22% of our FY25 forecast. Net interest income (NII) dropped 5.4% YoY given ACB's net interest margin (NIM) contraction and weak loan growth.

NIM compressed to 2.96% (-85bps YoY, -56bps QoQ), reflecting continued pressure on asset yields (-59bps YoY, -51bps QoQ) and a modest rise in funding costs (+26bps YoY, +2bps QoQ). The margin pressure was driven by ACB's proactive lending rate cuts to support customers and a decline in its CASA ratio to 21.2% (-0.8% pts YoY, -1.2% pts QoQ). Additionally, loan growth remained subdued at 3.1% YTD, underperforming the sector's growth of 3.9%, further weighing on topline momentum.

Non-interest income (Non-II) rose 7.5% YoY, supported by robust growth in FX (+103.9% YoY) and service fees (+17.1% YoY), but was dragged lower by a 100.7% YoY drop in investment gains, leading to a modest start to the year.

Tight cost control, but bottom line missed expectations

Operating expenses decreased by 2.6% YoY, reflecting ACB's ongoing efforts in cost optimization. However, due to the soft topline, 1Q25 pre-provision operating profit (PPOP) still declined 3.4% YoY, completing only 21% of our full-year estimate.

Provision expense rose 22.2% YoY, as ACB booked more provisions amid a volatile macro backdrop, completing 51.6% of our FY25 estimate. Hence, pre-tax profit fell by 5.8% YoY and fulfilled only 19% of FY25F - significantly below our expectation.

Asset quality remains a bright spot, but warrants close watch

Despite softer earnings, ACB's asset quality stayed strong in 1Q25. The non-performing loan (NPL) ratio remained flat at 1.5% (+3bps YoY, -1bps QoQ), while group 2 loans improved slightly to 0.7% (-7bps YoY). However, the write-off rate surged to 0.67% in 1Q25 (+60bps YoY, +60bps QoQ), which could indicate a strategic move to manage reported bad debt levels and thus warrants close monitoring in coming quarters. On the positive side, NPL formation dropped by 24.4% YoY, pointing to a declining trend in new bad debt. As a result, the loan loss reserve (LLR) ratio stood at 72.1%, down from 78.6% in 1Q24.

	1Q24	1Q25	3M24	3M25	FY25F forecasts	% of VND forecasts
NII YoY	8.1%	-5.4%	8.1%	-5.4%	15.5%	21%
Non-interest income YoY	-15.1%	7.5%	-15.1%	7.5%	19.6%	24%
OPEX YoY	10.2%	-2.6%	10.2%	-2.6%	16.2%	22%
PPOP YoY	-0.1%	-3.4%	-0.1%	-3.4%	16.2%	21%
Provision expenses YoY	100.1%	22.2%	100.1%	22.2%	-20.5%	52%
Pre-tax profit YoY	94.9%	93.9%	94.9%	93.9%	19.0%	19%
Loan growth	3.8%	3.1%	3.8%	3.1%	16.5%	
Deposit growth	2.1%	2.4%	2.1%	2.4%	18.7%	
NIM	3.8%	3.0%	3.9%	3.5%	3.7%	
Interest-earning asset yield	6.8%	6.2%	7.8%	6.6%	7.2%	
Cost of funds	3.4%	3.6%	4.4%	3.5%	3.9%	
CASA ratio	22.0%	21.2%	22.0%	21.2%	22.5%	
CIR	33.8%	34.0%	33.8%	34.0%	33.0%	
ROAE	23.0%	20.5%	23.0%	20.5%	20.6%	
NPLs / Gross loans	1.5%	1.5%	1.5%	1.5%	1.4%	
Group 2 loans / Gross loans	0.8%	0.7%	0.8%	0.7%	0.4%	
Loan loss reserves	78.6%	72.1%	78.6%	72.1%	78.1%	

Source: VNDIRECT RESEARCH

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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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