

Sustainable profit with lower risk compared to peers

BUY [+14%]

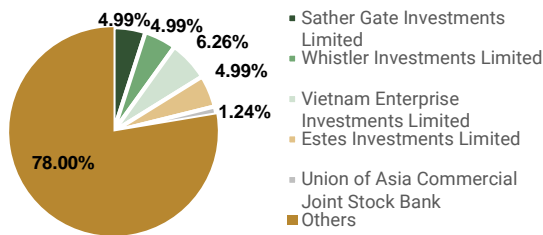
Updated: 28/06/2023

Fair price 25,400 VND
Current price 22,300 VND

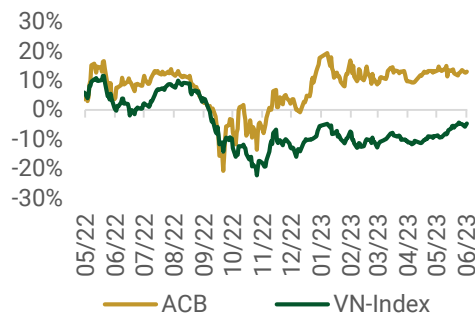
STOCK INFORMATION

Outstanding shares (mil) 3,884
Free float (mil) 3,301
Market cap. (billion VND) 84,421
3m avg. volume (shares) 7,401,265
Foreign ownership (%) 30%
First listing date 21/11/2006

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Overview of the Bank: Asia Commercial Joint Stock Bank (ACB) was established in 1993. The bank operates in the field of mobilizing, trading capital and providing related financial services, focusing on retail segment. By the end of 2022, ACB has 384 branches and transaction offices. Loan market share and customer deposit market share reached 3.4% and 3.5%, respectively with 5.2 million customers.

Investment highlights:

Top 2 banks with the highest Return on Equity (ROE) in the industry. In the last 12 months (LTM), ROE was 26.3%, a slight decrease of 20 bps compared to the end of 2022, among the top 2 banks with the highest ROE in the industry thanks to the outstanding NIM of the bank. This is attributed to the low Cost of Funds resulting from the low-risk business plan.

ACB is one of the banks with the best asset quality in the industry, stemming from its conservative lending policy. At the end of Q1 2023, NPL ratio was 0.97%, among the top 25% of banks with the lowest NPL ratio in the industry. As there are many challenges arising from domestic economy, the high LLR creates a thick buffer to support ACB withstand the rising risks of the economy.

Valuation & recommendation:

We expect the domestic economic situation to be more positive in H2 2023 because production, trade, logistics, etc. have higher capital needs in the last 6 months of the year when the world demand starts to recover. Hence, we project credit growth in 2023 to be 11.1%YoY.

We project that NIM would be 4.23% in 2023, down 12 bps compared to the end of 2021, because (1) interest rate reduction policy of the State Bank and the high interest rate lag at the end of 2022; (2) CASA struggled to grow under the pressure of the economy.

The State Bank of Vietnam issued Circular 02/2023/TT-NHNN allowing the debt group to remain unchanged to support customers in difficulty, effective until the end of 30 JUN 2024. Hence, we project the NPL ratio in 2023 to be 0.86%. We project the provision expense for credit risk for 2023 to be VND 1,664 billion (+2244%YoY) due to the low base level in 2022.

Using the method of Discounted Residual Income and P/B, we determine the fair price for ACB at 25,400 VND/share. Hence, we recommend: Buy for ACB.

Investment risks: (1) Interest rate risk; (2) Risk from rising NPLs; (3) Competitive risk; (4) Inflation risk; (5) Risk from economic downturn.

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net Interest Income (billion VND)	10,363	12,112	14,582	18,945	23,534	26,072
Net Profit (billion VND)	5,137	6,010	7,683	9,603	13,688	14,955
EPS (VND)	3,986	3,615	3,554	3,554	4,053	3,850
EPS Growth (%)	142%	17%	28%	25%	14%	-5%
Book Value (VND)	16,311	16,699	16,399	16,618	17,303	18,896
P/E	3.33	3.26	3.73	5.76	4.99	6.61
P/B	0.81	0.71	0.81	1.23	1.2	1.3
Cash dividend (VND)	0%	0%	0%	0%	10%	NA