

# Asia Commercial Bank (ACB)

## Resilient asset quality amid challenges

June 12, 2025

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**Credit growth is anticipated to return to a sustainable trajectory in the coming months**

We are maintaining our 17% credit growth forecast for ACB in 2025, bolstered by: (i) a diversified lending portfolio; (ii) policy directives supporting and promoting private enterprises under the recently issued Decree 68; and (iii) a projected recovery in ACB's key Southern real estate market, driven by an anticipated increase in supply in the coming quarters.

**NIM is projected to stay under pressure throughout 2025 despite a slight recovery in April**

While ACB's management noted a recovery in NIM in April, KBSV anticipates the slight recovery trend will persist. However, full-year 2025 NIM is expected to remain under notable pressure on the lending side as banks prioritize growth. Consequently, we are revising our NIM forecast for ACB from 3.5% down to 3.47% for 2025, with a slight recovery projected to 3.53% in 2026.

**Asset quality remains resilient, attributed to ACB's prudent lending approach**

We highly value ACB's asset quality, which is attributed to its prudent lending strategy. Loans to high-risk sectors, such as real estate (encompassing both project development and home loans), constitute only 21% of total outstanding loans, with a low NPL ratio of 2% for this segment. Furthermore, provision expenses are expected to decline in the coming months, buoyed by bad debt recovery efforts and improved liquidity in the real estate market.

**We recommend BUY for ACB with a target price of VND28,800/share**

ACB is consolidating at a P/B multiple of roughly 1.3x, reflecting a temporary absence of strong short-term growth catalysts. However, considering the bank's long-term potential, this valuation presents an attractive entry point for investors. We therefore recommend BUY for ACB with a target price of VND28,800/share, equivalent to a 36% return from the closing price on June 11, 2025.

**Buy** maintain

<b>Target price</b>	<b>VND28,800</b>
Upside	36%
Current price (Jun 11, 2025)	VND21,000
Consensus target price	VND26,532
Market cap (VNDtn/USDbn)	216.2/8.3

### Forecast earnings & valuation

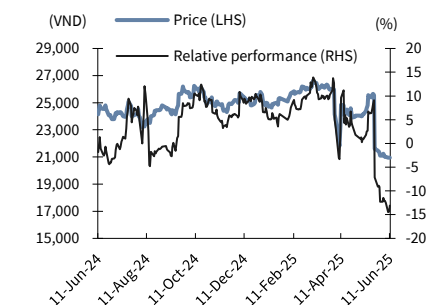
FY-end	2023	2024	2025F	2026F
Net interest income (VNDbn)	24,960	27,795	32,430	38,542
Pre-provision operating profit (VNDbn)	21,872	22,612	26,322	30,844
NPAT-MI (VNDbn)	16,045	16,790	18,894	22,037
EPS (VND)	4,131	3,759	3,742	4,364
EPS growth (%)	2	-9	1	17
PER (x)	6.1	6.7	6.7	5.7
Book value per share (x)	18,269	18,685	19,290	22,273
PBR (x)	1.37	1.34	1.30	1.12
ROE (%)	24.8	21.7	20.9	21.0
Dividend yield (%)	2.40	2.40	2.40	2.40

### Trading data

Free float	82.8%
3M avg trading value (VNDbn/USDmn)	160.9/6.3
Foreign ownership	30.0%
Major shareholder	Sather Gate Investments Limited (4.99%)

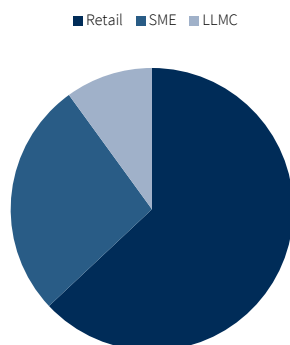
### Share price performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	3.1	4.5	8.2	13.7
<b>Relative</b>	-2.1	-0.6	2.1	6.7



Source: Bloomberg, KB Securities Vietnam

## Credit composition (2024)



Source: Asia Commercial Bank, KB Securities Vietnam

## Business operation

Asia Commercial Bank (ACB), established in 1993, is one of Vietnam's largest joint-stock commercial banks, with total assets of approximately VND864 trillion. The bank has consistently prioritized retail lending, maintaining a portfolio share of over 60% for many years. ACB is also recognized for its strong asset quality, with minimal exposure to real estate development loans and corporate bonds, effectively mitigating associated risks.

## Investment Catalysts

**Credit growth is projected at 16–18% during 2025–2027** driven by a high-quality and diversified loan portfolio and ample headroom for expansion in the mid- to large-sized corporate (MMLC) segment.

**NIM is set to remain under downward pressure throughout 2025** alongside the industry-wide trend, with a recovery anticipated in 2026.

**The NPL ratio is forecast to stay well-contained within the 1.2–1.4% range** thanks to the bank's prudent lending approach.

## Notes

Please find more details below

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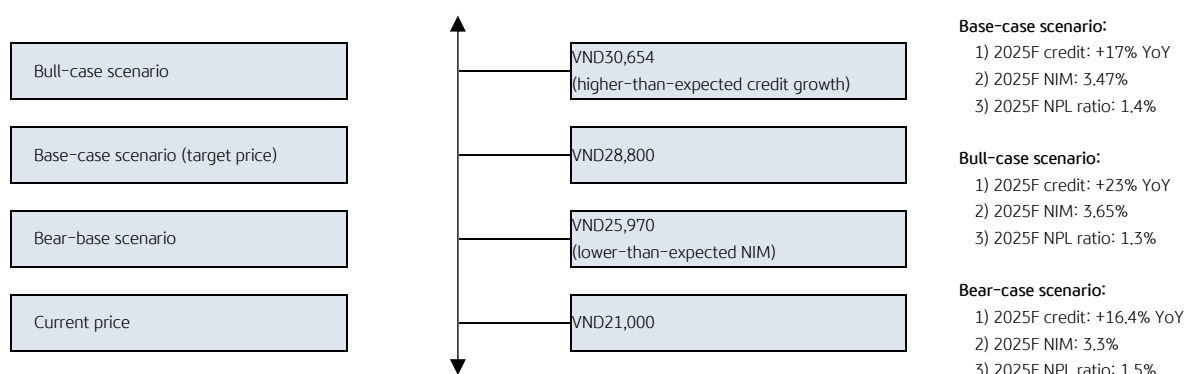
Please find more details [here](#)

## Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	32,430	38,542	-1%	-2%	34,435	39,532	-8%	-6%
EBIT	26,322	30,844	-1%	-2%	27,242	31,145	-5%	-4%
NP after MI	18,894	22,037	-1%	-2%	19,689	22,988	-6%	-7%

Source: Bloomberg, KB Securities Vietnam

## Investment opinion &amp; risks



## Business performance

### 1Q2025 performance fell short of expectations

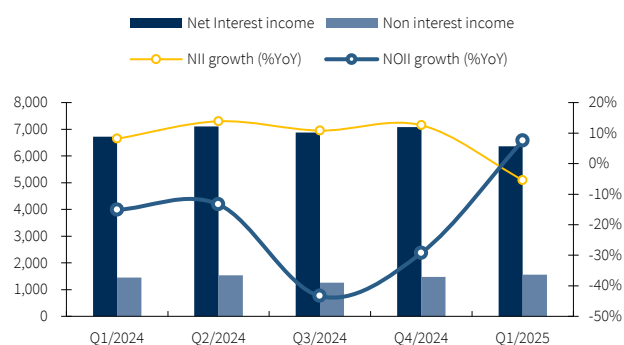
In the seasonally weak first quarter, credit growth reached 3.1% YTD, though a sharp decline in NIM negatively impacted NII. 1Q performance fell below expectations, with TOI dropping 7.5% YoY, primarily due to a 10% YoY decrease in NII, the bank's core revenue stream. On a positive note, ACB maintained a healthy NOII structure, with strong contributions from net fee income (NFI), foreign exchange trading, and gold trading. Notably, despite a sector-wide deterioration in asset quality this quarter, ACB successfully maintained stable asset quality, with its NPL ratio remaining largely unchanged.

Table 1. ACB – 1Q2025 financial results

(VNDbn)	1Q2024	4Q2024	1Q2025	+/-%YoY	+/-%QoQ	Notes
Net interest income (NII)	6,722	7,080	6,359	-5.4%	-10.2%	NII declined slightly YoY due to sluggish credit growth and a sharp contraction in NIM.
Non-interest income (NOII)	1,447	1,478	1,556	7.5%	5.3%	NOII expanded by 7.5% YoY, supported by strong performances across key segments: – NFI rose 17% YoY, led by a sharp 157% surge in card-related revenue, which saw its contribution to NFI rise from 31% to 55% in 1Q2025. In contrast, bancassurance revenue continued to post a notable decline (-32% YoY). – Foreign exchange and gold trading income grew 104% YoY, offsetting the decline from securities trading and investment activities. – Net other income reached VND182 billion, nearly triple the level in 1Q2024, reflecting more effective bad debt recovery amid a recovering real estate market, unlike the sluggish conditions a year earlier.
<b>Total operating income (TOI)</b>	<b>8,168</b>	<b>8,558</b>	<b>7,915</b>	<b>-3.1%</b>	<b>-7.5%</b>	
Operating expenses	(2,764)	(2,739)	(2,692)	-2.6%	-1.7%	Operating expenses saw a slight improvement, but the cost-to-income ratio (CIR) rose to 34% as TOI declined at a faster pace.
CIR	33.8%	32.0%	34.0%	17bps	6.3%	
Provision expenses	(512)	(148)	(626)	22.2%	324.0%	Provision expenses rose sharply from the low base of the previous quarter (which included reversals), yet remained at a normal level compared to the same period last year.
<b>Profit before tax (PBT)</b>	<b>4,892</b>	<b>5,671</b>	<b>4,597</b>	<b>-6.0%</b>	<b>-18.9%</b>	
Net profit after tax (NPAT)	3,905	4,545	3,678	-5.8%	-19.1%	
<b>Credit growth (YTD)</b>	<b>3.8%</b>	<b>19.1%</b>	<b>3.1%</b>			Credit growth decelerated across all customer segments in 1Q2025, with SME lending remaining largely flat. Additionally, the Southern region, ACB's core market, has been recovering at a slower pace compared to the Northern region.
Deposit growth (YTD)	1.0%	20.2%	2.0%			
<b>NIM</b>	<b>3.90%</b>	<b>3.58%</b>	<b>3.46%</b>	<b>-44bps</b>	<b>-12bps</b>	NIM contracted sharply in 1Q2025, primarily due to a decline in interest-earning asset (IEA) yields amid intensified lending rate competition, while the cost of funds (CoF) inched up slightly as the CASA ratio declined.
<b>NPL ratio</b>	<b>1.45%</b>	<b>1.49%</b>	<b>1.48%</b>	<b>+2bps</b>	<b>-1bps</b>	Asset quality held stable, with the NPL ratio remaining flat QoQ. By debt classification, special-mention, substandard, and doubtful debts (Groups 2-4) recorded double-digit growth, primarily due to cross-default risk based on CIC (Credit Information Center) data.

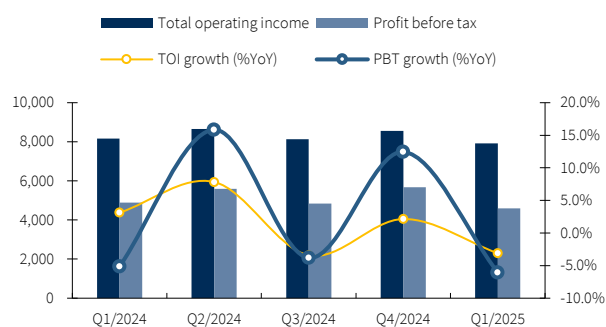
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 2. ACB – NII, NOII &amp; growth (VNDbn, %YoY)



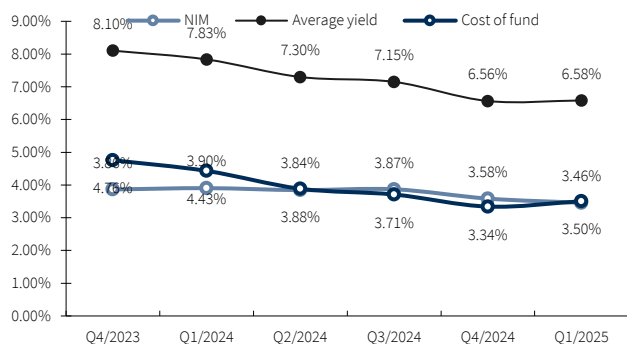
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 3. ACB – TOI, NPAT &amp; growth (VNDbn, %YoY)



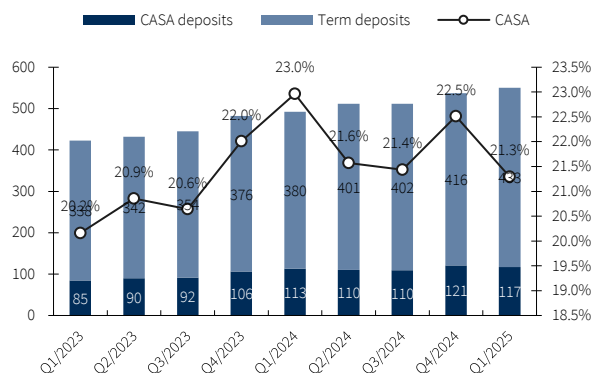
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 4. ACB – NIM, IEA yield, CoF (%)



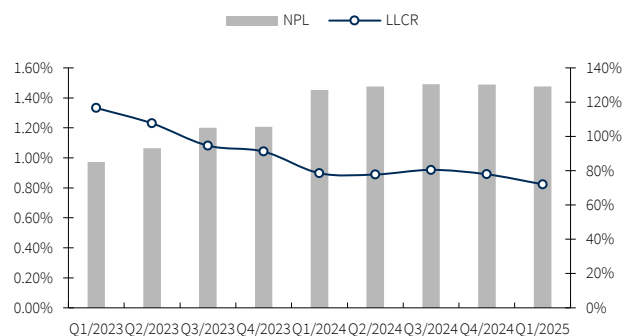
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 5. ACB – Deposit composition (VNDtn)



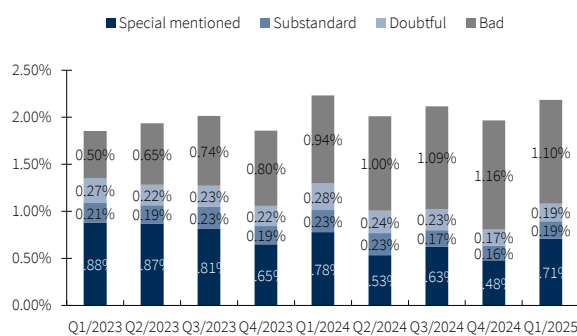
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 6. ACB – NPL ratio, LLCR (%)



Source: Asia Commercial Bank, KB Securities Vietnam

Fig 7. ACB – Loan book structure (Group 2-5) (%)



Source: Asia Commercial Bank, KB Securities Vietnam

**Credit growth is anticipated to return to a sustainable trajectory in the coming months**

Sluggish credit growth in the seasonally weak first quarter is typical for commercial banks with a retail lending focus. We expect ACB's credit growth to return to a sustainable trajectory in the coming months, bolstered by its diversified loan portfolio strategy, which enables the bank to adapt to shifting market conditions:

- **By customer segment:** Lending to mid- to large-sized corporates (MMLC) is projected to maintain robust double-digit growth. This segment currently represents only ~10% of ACB's total credit portfolio, offering ample headroom for expansion. Meanwhile, demand from individual borrowers, comprising over 60% of the loan book, is expected to recover more strongly in the second half of 2025 and into 2026, aligning with improvements in the broader economy and real estate market. Lending to SMEs may recover more gradually due to their higher sensitivity to macroeconomic fluctuations.
- **By industry focus:** As noted in previous reports, ACB is actively expanding credit exposure to the industrial real estate sector, which currently accounts for 1-1.5% of total outstanding loans. According to management, the bank primarily lends to clients from Japan, South Korea, and to a lesser extent, China. As such, potential downside risks from volatile trade tariffs are expected to have limited impact on ACB's loan portfolio. In addition, lending to exporters and FDI-related businesses constitutes a small share (~5%) and is concentrated in non-US markets, which also helps insulate the bank from the effects of US retaliatory tariffs.

KBSV maintains 17% credit growth forecast for ACB in 2025, driven by (i) a diversified lending portfolio; (ii) policy tailwinds from the recently issued Decree 68, which supports private sector development; and (iii) a recovery in the Southern real estate market, ACB's core geographic focus, as supply is expected to increase in the coming quarters.

**NIM is projected to stay under pressure throughout 2025 despite a slight recovery in April**

We expect the factors weighing on NIM to be better contained and more manageable starting from 2Q. However, the full-year NIM outlook for 2025 remains under pressure as:

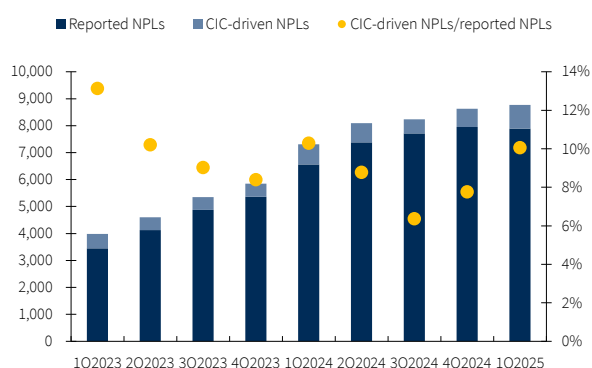
- IEA yields are unlikely to improve significantly in the short term, as lending rates are expected to stay low to support the economy, while pricing competition among banks remains intense.
- On the funding side, there is greater potential for improvement, supported by: (i) a recovery in CASA, driven by a higher proportion of corporate clients and (ii) the current low and stable interbank rates, aided by ongoing liquidity support from the State Bank of Vietnam (SBV).

While ACB's management noted a recovery in NIM in April, KBSV anticipates the slight recovery trend will persist. However, full-year 2025 NIM is expected to remain under notable pressure on the lending side as banks prioritize growth. Consequently, we are revising our NIM forecast for ACB from 3.5% down to 3.47% for 2025, with a slight recovery projected to 3.53% in 2026.

### Asset quality remains resilient, attributed to ACB's prudent lending approach

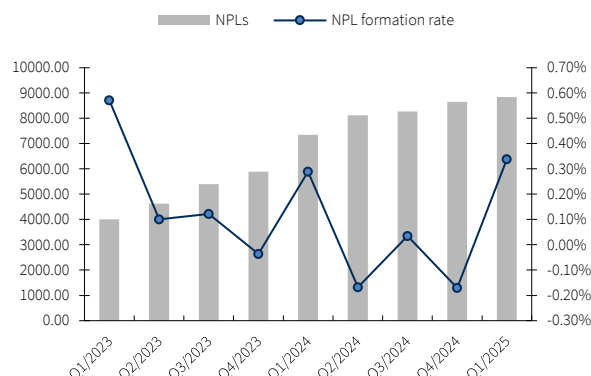
NPLs were evenly distributed across customer segments, with the retail segment recording an NPL ratio of 1.58% and the corporate segment at 1.48%—a slight increase from the previous quarter, primarily due to updates from the CIC (Credit Information Center). CIC-driven NPLs have returned to roughly 10% of reported NPLs over the past two quarters, mirroring levels seen during last year's industry-wide asset quality deterioration. This trend aligns with the rise in NPLs observed across most banks we cover, indicating potential sector-wide risks to asset quality. Nevertheless, we continue to highly value ACB's asset quality, thanks to its prudent lending strategy. Loans to high-risk sectors such as real estate (including project development and home loans) account for only 21% of total outstanding credit, with the NPL ratio for this segment at a manageable 2%. Additionally, provision expenses are expected to decline in the coming months, buoyed by bad debt recovery efforts and improved liquidity in the real estate market.

Fig 8. ACB – Reported NPLs & CIC-driven NPLs (VNDbn)



Source: Asia Commercial Bank, KB Securities Vietnam

Fig 9. ACB – NPLs, NPL formation rate (VNDbn, %)



Source: Asia Commercial Bank, KB Securities Vietnam

## Forecast & Valuation

Table 10. ACB – 2024A–2026F financial results

(VNDbn)	2024	2025F	+/-%YoY	2026F	+/-%YoY	Notes
Net interest income (NII)	27,795	32,430	16.7%	38,542	18.8%	We are maintaining our credit growth forecasts at 17% for 2025 and 16% for 2026. However, the downward revision of our NIM expectations has led to a slight reduction in projected NII.
Non-interest income (NOII)	5,720	6,857	19.9%	7,357	7.3%	
Total operating income (TOI)	33,515	39,287	17.2%	45,898	16.8%	
Pre-provision operating profit (PPOP)	22,612	26,322	16.4%	30,844	17.2%	First-quarter results were broadly in line with our previous projections. Bancassurance income may see a mild recovery, though its current contribution has declined compared to prior periods.
Provision expenses	(1,606)	(2,704)	68.4%	(3,298)	21.9%	
Profit before tax (PBT)	21,006	23,618	12.4%	27,546	16.6%	
NIM	3.58%	3.47%	-12bps	3.53%	6bps	While credit costs are expected to improve in the near term, we are maintaining our previous forecasts as a precautionary measure, in case trade policies exert a more adverse impact on the broader economy than currently anticipated.
Average IEA yield	6.56%	6.58%	1bps	6.77%	19bps	
Average CoF	3.34%	3.47%	13bps	3.60%	14bps	
CIR	32.5%	33.0%	47bps	32.8%	-20bps	We are revising down our NIM forecast due to a lack of near-term expansion drivers. However, we anticipate that improvements in lending rates and increased demand from individual borrowers will support a NIM recovery next year.
NPL ratio	1.49%	1.40%	-9bps	1.35%	-5bps	
Total assets	864,006	1,045,293	21.0%	1,190,120	13.9%	
Owner's equity	83,462	97,400	16.7%	112,462	15.5%	Unchanged from our previous projection

Source: Asia Commercial Bank, KB Securities Vietnam

**We recommend BUY for ACB with a target price of VND28,800/share**

We utilize the P/B and residual income valuation methods to derive a fair value for ACB.

**1) P/B valuation**

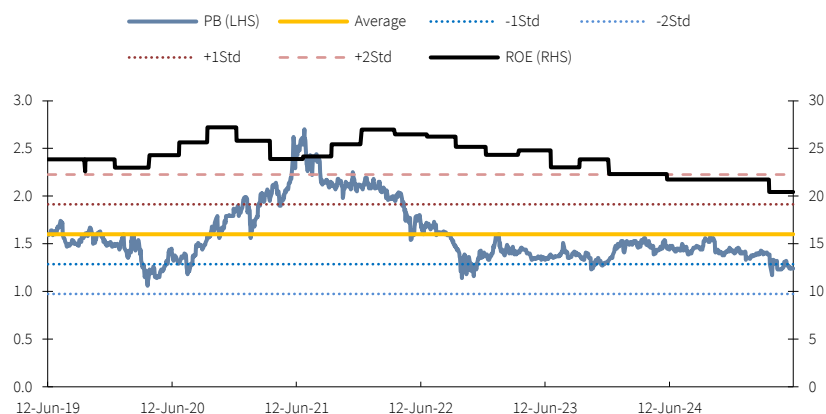
We are revising our 2025 forward P/B multiple to 1.4x, reflecting short-term challenges to ACB's growth outlook.

**2) Residual Income valuation**

In addition to adjusting our NIM projections, we adjust the equity risk premium to 8.35% in this report, resulting in a higher required rate of return and a slightly lower target price.

We reiterate our BUY recommendation for ACB with a target price of VND28,800 per share, representing 36% upside from the closing price on June 11, 2025.

Fig 11. ACB – ROE, P/B in 2019–2025



Source: Bloomberg, KB Securities Vietnam

Table 12. ACB – Residual income valuation

(VNDbn)	2025F	2026F	2027F
NPAT	18,894	22,037	25,511
Excessed return	7,193	6,270	7,240
Required rate of return (re)	14.02%		
Growth (g)	3.0%		
Terminal value	21,345		
Present value (PV)	129,672		
<b>Value per share</b>	<b>29,031</b>		

Source: KB Securities Vietnam

Table 13. ACB – Valuation results

Valuation method	Derived price	Weight	Weighted price
Residual income	29,031	50%	14,420
P/B	28,480	50%	14,516
<b>Target price</b>			<b>28,800</b>

Source: KB Securities Vietnam



## ACB – 2023A–2026F summarized financials &amp; forecasts

Income Statement					Balance Sheet				
(VNDbn)	2023	2024	2025F	2026F	(VNDbn)	2023	2024	2025F	2026F
Net interest income	24,960	27,795	32,430	38,542	Loans	482,235	573,947	673,031	780,194
Interest income	52,347	50,903	61,496	73,887	Marketable securities	7,177	3,881	6,021	6,763
Interest expense	27,387	(23,108)	(29,066)	(35,345)	Cash (ex. Reserves)	6,909	5,696	9,404	10,672
Fees & commissions	2,922	3,239	3,935	4,328	Interest earning assets	701,817	848,958	1,020,807	1,162,376
Other non-interest income	863	624	823	884	Fixed assets & other assets	15,631	16,233	21,571	25,195
Total operating income	32,747	33,515	39,287	45,898	Total assets	718,795	864,006	1,045,293	1,190,120
SG&A expenses	(10,874)	(10,903)	(12,965)	(15,055)	Customer deposits	482,703	537,305	754,892	856,638
PPOP	21,872	22,612	26,322	30,844	Borrowings & call money/repos	52,569	101,678	78,434	90,396
Provision for credit losses	(1,804)	(1,606)	(2,704)	(3,298)	Interest bearing liabilities	624,778	758,530	918,122	1,043,495
Other income	1,197	1,266	1,356	1,456	Other liabilities	23,060	22,014	29,771	34,163
Other expense	(334)	(642)	(533)	(573)	Total liabilities	647,839	780,544	947,893	1,077,658
Pre-tax income	20,068	21,006	23,618	27,546	Charter capital	38,841	44,667	50,493	50,493
Income tax expense	(4,023)	(4,216)	(4,724)	(5,509)	Capital surplus	272	272	272	272
NP	16,045	16,790	18,894	22,037	Retained earnings	20,286	23,734	31,846	46,908
Minority interest profit	-	-	-	-	Capital adjustments	-	-	-	-
Parent NP	16,045	16,790	18,894	22,037	Total shareholders' equity	70,956	83,462	97,400	112,462

Financial Indicators					Valuation				
(%)	2023	2024	2025F	2026F	(VND, X, %)	2023	2024	2025F	2026F
Profitability					Share Price Indicators				
ROE	24.8%	21.7%	20.9%	21.0%	EPS	4,131	3,759	3,742	4,364
ROA	2.4%	2.1%	2.0%	2.0%	BVPS	18,269	18,685	19,290	22,273
Pre-provision ROE	27.0%	23.4%	23.3%	23.5%	Tangible BVPS	17,897	18,195	18,701	21,474
Pre-provision ROA	2.6%	2.3%	2.2%	2.2%	Valuations				
Net interest margin (NIM)	3.9%	3.6%	3.5%	3.5%	PER	6.1	6.7	6.7	5.7
Efficiency					PBR	1.4	1.3	1.3	1.1
Pure Loan to deposit ratio	101.0%	108.1%	90.0%	92.0%	Dividend yield	24.8%	21.7%	20.9%	21.0%
Cost-income ratio	33.2%	32.5%	33.0%	32.8%	ROE				
Growth					Capital Adequacy				
Asset growth	18.2%	20.2%	21.0%	13.9%	CAR	11.2%	12.8%	>13%	>13%
Loan growth	17.9%	19.0%	17.3%	15.9%	Asset Quality				
PPOP growth	27.3%	3.4%	16.4%	17.2%	NPL ratio (substandard)	1.2%	1.5%	1.4%	1.4%
Parent NP growth	17.2%	4.6%	12.5%	16.6%	Coverage ratio (substandard)	82.7%	62.2%	67.0%	74.4%
EPS growth	1.9%	-9.0%	-0.4%	16.6%	NPL ratio (precautionary)	1.9%	2.0%	2.1%	2.1%
BVPS growth	5.6%	2.3%	3.2%	15.5%	Coverage ratio (precautionary)	53.7%	47.1%	44.7%	49.0%

Source: Company report, KB Securities Vietnam

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**Investment ratings & definitions**

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**Investment Ratings for Stocks**

**(Based on the expectation of price gains over the next 6 months)**

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

**Investment Ratings for Sectors**

**(Based on the assessment of sector prospects over the next 6 months)**

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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