

ACB Bank (ACB)

Building on solid growth

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Full-year 2024 PBT came in at VND21,006 billion, attaining 96% of our projection

ACB closed 2024 with credit growth of 19% YoY, driven by efforts to diversify its loan portfolio by expanding into corporate lending while maintaining a strong focus on retail lending. As a result, NII sustained double-digit growth (+11% YoY), despite a 28bps decline in NIM compared to 2023. By year-end, PBT totaled VND21,006 billion (+4.7% YoY), achieving 96% of our forecast.

Strong loan growth would fuel NII expansion

Following its 3Q2024 restructuring efforts, ACB has maintained robust credit growth. We believe the bank will effectively leverage growth drivers across key segments, supporting our 17% growth projection in the coming period.

Short-term NIM outlook remains pressured

NIM is expected to remain under pressure for at least two more quarters before gradually recovering to 2024 levels by year-end. While lending rates are kept low to support credit growth, aligned with the State Bank of Vietnam's (SBV) accommodative policy, this will continue to weigh on IEA yields.

Asset quality is set to improve as NPLs seem to have peaked

NPL formation declined further across quarters, suggesting that NPLs may have peaked. Additionally, we anticipate a more widespread and balanced recovery in the property market across regions, enhancing liquidity and facilitating more efficient bad debt resolution.

We recommend BUY for ACB with a target price of VND35,400/share

We recommend BUY on ACB with a target price of VND35,400 per share, representing a 34% upside potential from the closing price on March 11, 2025.

Buy maintain

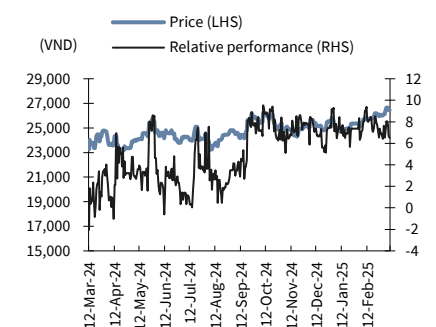
Target price	VND35,400
Upside	33.8%
Current price (Mar 11, 2025)	VND26,450
Consensus target price	VND31,600
Market cap (VNDtn/USDbn)	117.9/4.6

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 Ltd (4.99%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	3.1	4.5	8.2	13.7
Relative	-2.1	-0.6	2.1	6.7

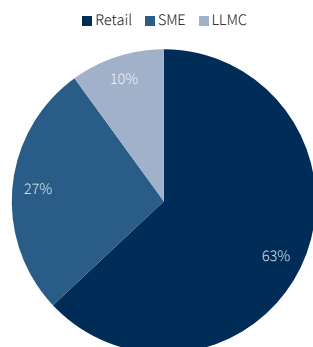
Forecast earnings & valuation

FY-end	2023	2024	2025F	2026F
Net interest income (VNDbn)	24,960	27,795	31,728	37,235
PPOP (VNDbn)	21,872	22,612	25,851	29,963
NPAT-MI (VNDbn)	16,045	16,790	18,526	21,336
EPS (VND)	4,131	3,759	3,669	4,226
EPS growth (%)	2	-9	-2	15
PER (x)	6.1	6.7	6.8	5.9
Book value per share (VND)	18,269	18,685	19,217	22,061
PBR (x)	1.37	1.34	1.30	1.14
ROE (%)	24.8	21.7	20.5	20.5
Dividend yield (%)	2.40	2.40	2.40	3.99



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 expansion is expected remain stable, with projected growth of 15–17% for the 2025–2027 period.

NIM remains high relative to the industry average, supported by ACB's strong focus on retail lending.

ACB maintains industry-leading asset quality with minimal exposure to real estate development loans and corporate bonds, reflecting its prudent risk appetite.

Notes

Please find more details below

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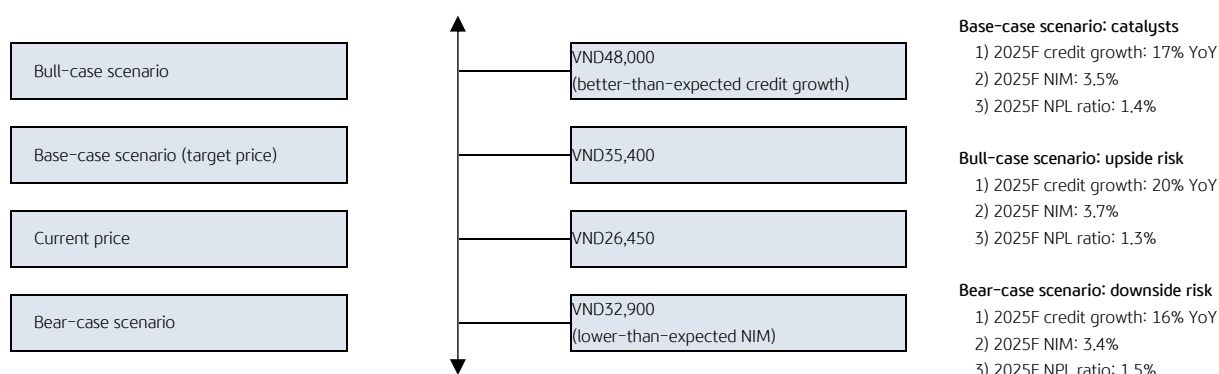
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	32,744	39,255	-5%	-2%	34,435	39,532	-5%	-1%
EBIT	26,532	31,321	-8%	-7%	27,242	31,145	-3%	1%
NP after MI	19,070	22,422	-9%	-11%	19,689	22,988	-3%	-2%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business performance

Full-year 2024 PBT came in at VND21,006 billion, attaining 96% of our projection

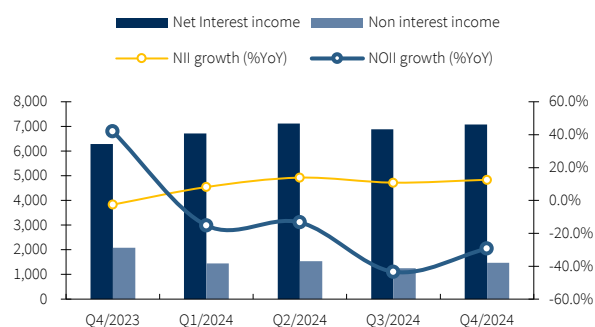
ACB concluded 2024 with credit growth of 19% YoY, driven by efforts to diversify its loan portfolio by expanding into corporate lending while maintaining a strong focus on retail lending. As a result, NII sustained double-digit growth (+11% YoY), despite a 28bps decline in NIM compared to the previous year. Meanwhile, NOII fell 26% YoY due to the absence of extraordinary bond trading gains as recorded in 2023. Although asset quality experienced a slight deterioration, in line with the broader industry trend, ACB maintained the best-managed NPLs in the banking system. By the end of 2024, PBT totaled VND21,006 billion (+4.7% YoY), fulfilling 96% of our forecast.

Table 1. ACB – 2023–2024 financial results

(VNDbn)	4Q2023	3Q2024	4Q2024	%YoY	%QoQ	Notes
Net interest income (NII)	6,290	6,881	7,080	12.6%	2.9%	Although credit growth regained momentum in 4Q2024 following a slowdown in 3Q2024, NII saw only a modest 2.3% QoQ increase. The key driver was a sharp decline in NIM, as IEA yields continued to fall due to persistently low lending rates aimed at stimulating credit growth. Nevertheless, full-year NII growth remained solid, achieving double-digit expansion at +12% YoY.
Non-interest income (NOII)	2,089	1,255	1,478	-29.2%	17.8%	NOII continued to decline, reflecting the high base effect from the previous year when the bank benefited from extraordinary bond trading gains. However, other NOII components posted relatively positive growth. Specifically: – Fee income and commissions rose +16% QoQ, +20% YoY, largely driven by card and payment services. Bancassurance revenue also improved in 4Q, increasing 10% QoQ. – Gold and foreign exchange trading generated VND344 billion, a substantial increase from the modest VND29 billion recorded in the same period a year earlier.
Total operating income (TOI)	8,378	8,136	8,558	2.1%	5.2%	
Operating expenses	(3,013)	(2,934)	(2,739)	-9.1%	-6.6%	Operating expenses were well-managed, bringing the cost-to-income ratio (CIR) back to 32% after a sharp rise in the previous quarter.
CIR	36.0%	36.1%	32.0%	-395bps	-11.2%	
Provision expenses	(322)	(358)	(148)	-54.1%	-58.8%	
Profit before tax (PBT)	5,044	4,844	5,671	12.4%	17.1%	
Net profit after tax (NPAT)	4,006	3,870	4,545	13.5%	17.4%	
Credit growth (YTD)	17.9%	13.8%	19.1%			For full-year 2024, ACB recorded a 19.1% YoY increase in credit growth, with the parent bank expanding by 18%, while the remainder was driven by strong loan growth at its two subsidiaries, ACB Securities (ACBS) and Asia Commercial Bank Leasing (ACBL). Retail lending, which accounts for 63% of total outstanding loans, grew by 15% YoY, reflecting weaker demand throughout the year. However, ACB maintained relatively strong growth compared to other retail-focused banks, supported by its diversification efforts. Notably, corporate lending surged 25% YoY, emerging as the key driver of overall credit growth.
Deposit growth (YTD)	18.7%	8.2%	20.2%			
NIM	3.86%	3.87%	3.58%	-27bps	-28bps	NIM contracted by 28bps to 3.6%, indicating continued margin compression. IEA yields fell sharply as ACB implemented support packages for customers while also competing on interest rates with other banks. However, the bank maintained strong credit growth relative to the industry. Meanwhile, funding costs declined at a slower pace in the second half of 2024, when deposit rates edged higher and CASA deposits declined.
NPL ratio	1.21%	1.49%	1.49%	+28bps	+0bps	Asset quality remained stable, with the NPL ratio holding steady from 3Q2024. ACB suggested that NPLs may have peaked, with improvements expected in the coming periods, driven by a recovery in the real estate market.

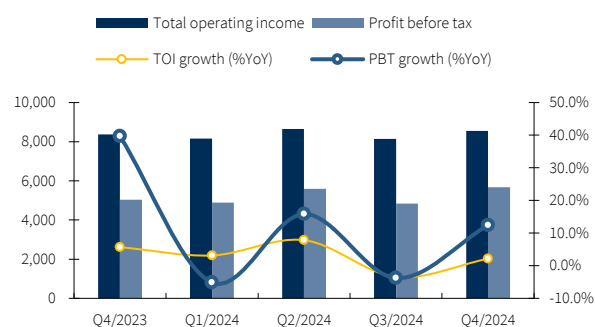
Source: Asia Commercial Bank, KB Securities Vietnam

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



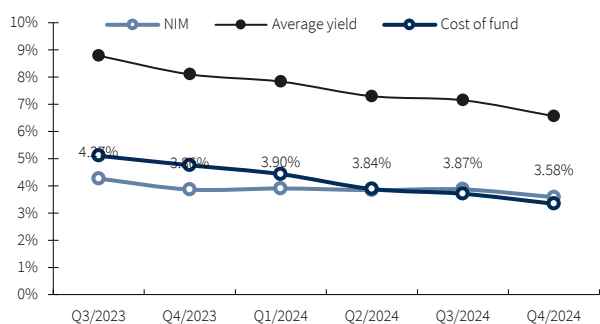
Source: Asia Commercial Bank, KB Securities Vietnam

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



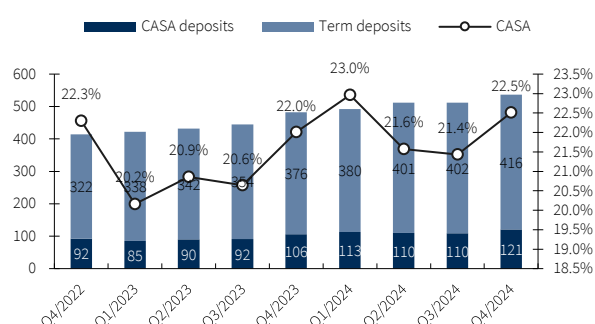
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 4. ACB – NIM, IEA yield, COF (%)



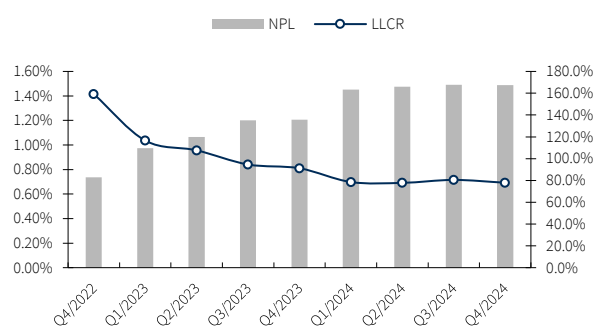
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 5. ACB – Deposit composition (VNDbn)



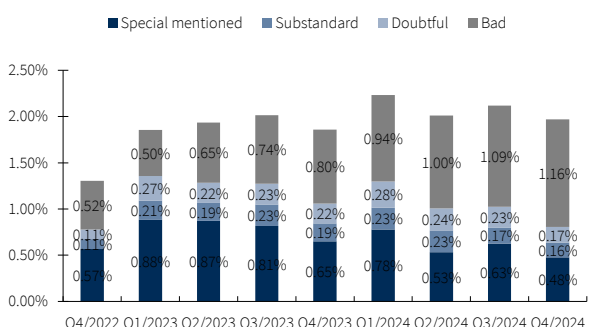
Source: Asia Commercial Bank, KB Securities Vietnam

Fig 6. ACB – NPL ratio, LLCR (%)



Source: Asia Commercial Bank, KB Securities Vietnam

Fig 7. ACB – Credit breakdown (%)



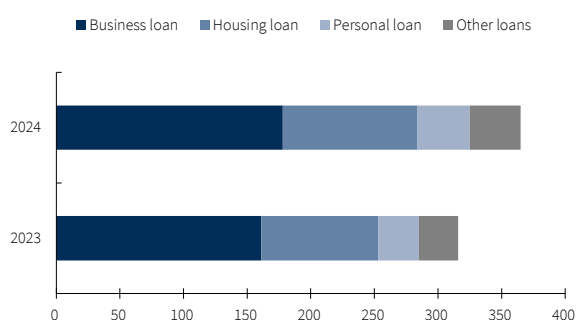
Source: Asia Commercial Bank, KB Securities Vietnam

Strong loan growth would fuel NII expansion

Following its 3Q2024 restructuring efforts, ACB has maintained robust credit growth. We believe the bank will effectively leverage growth drivers across key segments, supporting our 17% growth projection in the coming period:

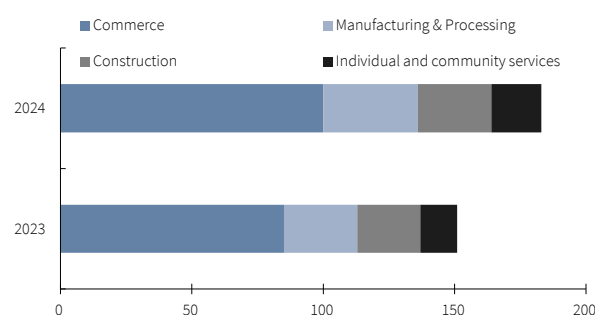
- **Retail lending** (63% of total outstanding loans): expected to rebound strongly, particularly in mortgage loans, as the Southern real estate market catches up with the North's recovery. ACB's outstanding real estate loans currently total approximately VND119 trillion (~21% of total outstanding loans), with 80% allocated to home purchases and the remainder for investment and rental purposes. Additionally, household business lending is expected to maintain positive growth momentum, supported by economic recovery. Overall, retail lending may expand by 18–20% from the 2024 base level.
- **Wholesale lending**: Following its successful shift towards corporate clients, ACB appears to have adopted a more flexible risk appetite than in previous periods. However, the bank will maintain its prudent approach by carefully selecting borrowers and closely monitoring loan quality. Key sectors include trade, manufacturing, construction, and industrial real estate.
- **Investments in subsidiaries**: ACB aims to further strengthen ACBS and ACBL, following their strong business performance last year. Specifically, ACBS saw a 172% YoY increase in margin lending income, while proprietary trading profits grew by 40% YoY. Meanwhile, ACBL's net profit rose by 24% YoY. As part of its 2025 capital expansion plan, ACB plans to inject an additional VND3 trillion into ACBS to reinforce its market position and expand operations.

Fig 8. ACB – Retail lending breakdown (VNDtn)



Source: Asia Commercial Bank, KB Securities Vietnam

Fig 9. ACB – Wholesale lending breakdown (VNDtn)



Source: Asia Commercial Bank, KB Securities Vietnam

Short-term NIM outlook remains pressured

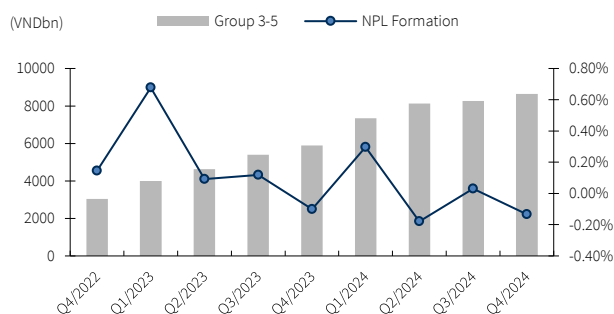
NIM is expected to remain under pressure for at least two more quarters before gradually recovering to 2024 levels by year-end. While lending rates are kept low to support credit growth, aligned with the SBV's accommodative policy, this will continue to weigh on IEA yields.

Overall, banks that can sustain low lending rates to boost growth while effectively managing funding costs will be better positioned to mitigate NIM compression. We believe ACB has excelled in executing both strategies, thanks to its diversified funding sources in 2024. Notably, the bank has strengthened its long-term funding through bond issuances with longer maturities and lower costs compared to customer deposits. As a result, despite limited upside for deposit rates in the retail deposit market (Market 1), ACB remains well-positioned to ensure liquidity stability, supporting our 17% growth projection in the coming period.

Asset quality is set to improve as NPLs seem to have peaked

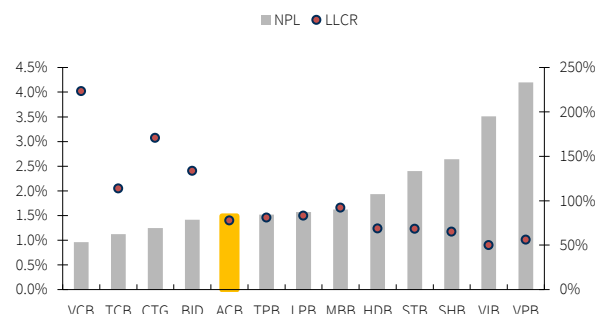
The NPL ratio remained stable at 1.5%, supported by a significant decline in loans classified under groups 2–4 (special-mention, substandard, and doubtful debts). However, bad debt (group 5) surged by 11% QoQ, partly due to the expiration of Circular 02, which triggered the reclassification of restructured loans after their rescheduling period. Currently, restructured loans under Circular 02 stand at approximately VND1,100 billion (0.2% of total outstanding loans), with 80% classified as standard debts (group 1), and were fully provisioned. Meanwhile, NPL formation declined further across quarters, suggesting that NPLs may have peaked. While asset quality pressures may persist, potentially causing a temporary increase in NPLs in 1Q2025 due to the Lunar New Year holiday, ACB aims to maintain asset quality throughout the year, targeting an NPL ratio below 1.5%. Additionally, we anticipate a more widespread and balanced recovery in the property market across regions, enhancing liquidity and facilitating more efficient bad debt resolution. In 2024, provision expenses were lower than KBSV's expectations, despite NPLs rising in line with industry trends. As a result, ACB's loan loss coverage ratio (LLCR) dropped to 76% from 91% in 2023. Given this, we maintain a cautious stance, expecting the bank to raise provisions in the near term to strengthen its buffer, especially as the bank has demonstrated greater flexibility in its risk appetite.

Fig 10. ACB – NPLs, NPL formation rate (VNDbn, %)



Source: Asia Commercial Bank, KB Securities Vietnam

Fig 11. Vietnamese banks – NPL ratio, LLCR (%)



Source: Company reports, KB Securities Vietnam

Forecast & Valuation

Table 15. ACB – 2024–2026F financials & forecast

(VNDbn)	2024	2025F	%YoY 2024	2026F	%YoY 2025	Notes
NII	27,795	32,744	17.8%	39,255	19.9%	Credit growth is expected to reach 17% by the end of 2025, driven by all lending segments, with corporate lending playing a key role following the bank's expansion in this area.
NOII	5,720	6,857	19.9%	7,353	7.2%	Assumptions have been revised downward from previous projections, primarily due to the bancassurance market's slower-than-anticipated recovery. However, fee income from card and payment services is projected to sustain growth of over 20%.
TOI	33,515	39,600	18.2%	46,608	17.7%	
Pre-provision operating profit (PPOP)	22,612	26,532	17.3%	31,321	18.0%	
Provision expenses	(1,606)	(2,694)	67.7%	(3,294)	22.2%	Asset quality deteriorated compared to 2023, yet ACB did not substantially reinforce its buffer in 2024, resulting in ongoing provisioning pressure for 2025–2026.
PBT	21,006	23,838	13.5%	28,027	17.6%	
NIM	3.58%	3.50%	–8bps	3.60%	9bps	NIM is expected to decline slightly, as IEA yields will unlikely increase, while funding costs may edge up slightly due to higher interest payments on debt securities.
Average interest-earning asset (IEA) yield	6.56%	6.58%	1bps	6.84%	26bps	
Average cost of fund (COF)	3.34%	3.43%	9bps	3.60%	18bps	
CIR	32.5%	33.0%	47bps	32.8%	–20bps	CIR is projected to be controlled within the range of 33–35%.
NPL ratio	1.49%	1.40%	–9bps	1.35%	–5bps	Asset quality should improve alongside economic recovery.
Total assets	864,006	1,044,241	20.9%	1,188,791	13.8%	
Owner's equity	83,462	97,576	16.9%	113,023	15.8%	

Source: Asia Commercial Bank, KB Securities Vietnam

We recommend BUY for ACB with a target price of VND35,400/share

We use a combination of the P/B and residual income methods to determine a fair price for ACB.

1. P/B method

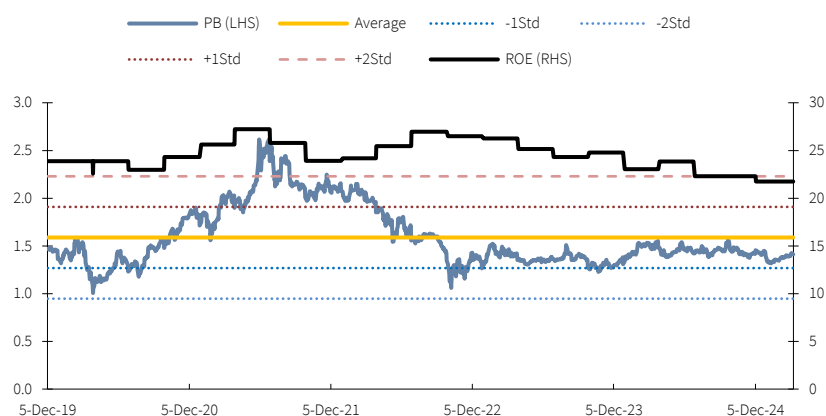
We maintain our target P/B ratio at 1.6x, in line with the bank's 5-year average P/B ratio.

2. Residual income method

In addition, we incorporate the residual income method to account for systematic risks and long-term expectations.

After adjusting our financial forecasts to reflect challenges in NIM recovery and weaker-than-expected NII, particularly from bancassurance operation, we revise the target price to VND35,400 per share, implying a potential upside of 34% from the closing price on March 11, 2025. Accordingly, we maintain our BUY recommendation for ACB.

Fig 12. ACB – ROE, P/B in 2019–2025



Source: Bloomberg, KB Securities Vietnam

Table 13. ACB – Residual income valuation

(VNDbn)	2025F	2026F	2027F
NPAT	19,070	22,422	25,501
Excessed return	8,220	7,729	8,488
Required rate of return (re)	13%		
Growth (g)	3.0%		
Terminal value	50,245		
Present value (PV)	169,911		
Value per share	38,040		

Source: KB Securities Vietnam

Table 14. ACB – Valuation results

Valuation method	Forecast price	Weighting	Weighted price
Residual income	38,040	50%	19,020
P/B	32,852	50%	16,426
Target price			35,400

Source: KB Securities Vietnam

ACB – 2023A–2026F summarized financials & forecasts

Income Statement					Balance Sheet				
(VNDbn)	2023	2024	2025F	2026F	(VNDbn)	2023	2024	2025F	2026F
Net interest income	24,960	27,795	32,744	39,255	Loans	482,235	573,947	673,031	780,194
Interest income	52,347	50,903	61,486	74,600	Marketable securities	7,177	3,881	5,547	6,231
Interest expense	(27,387)	(23,108)	(28,743)	(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			1,020,324	1,161,827
						701,817	848,958		
Other non-interest income	863	624	823	880	Fixed assets & other assets	15,631	16,233	20,992	24,398
Total operating income	32,747	33,515	39,600	46,608	Total assets	718,795	864,006	1,044,241	1,188,791
SG&A expenses	(10,874)	(10,903)	(13,068)	(15,287)	Customer deposits	482,703	537,305	754,892	856,638
Pre-provisioning OP	21,872	22,612	26,532	31,321	Borrowings & call money/repos	52,569	101,678	78,434	90,396
Provision for credit losses	(1,804)	(1,606)	(2,694)	(3,294)	Interest bearing liabilities	624,778	758,530	918,122	1,043,495
Other income	1,197	1,266	1,356	1,451	Other liabilities	23,060	22,014	28,542	32,273
Other expense	(334)	(642)	(533)	(570)	Total liabilities	647,839	780,544	946,664	1,075,768
Pre-tax income	20,068	21,006	23,838	28,027	Charter capital	38,841	44,667	50,493	50,493
Income tax expense	(4,023)	(4,216)	(4,768)	(5,605)	Capital surplus	272	272	272	272
NPAT	16,045	16,790	19,070	22,422	Retained earnings	20,286	23,734	32,022	47,469
Minority interest profit	-	-	-	-	Capital adjustments	-	-	-	-
NPAT-MI	16,045	16,790	19,070	22,422	Total shareholders' equity	70,956	83,462	97,576	113,023
Financial Indicators					Valuation				
(%)	2023	2024	2025F	2026F	(VND, X, %)	2023	2024	2025F	2026F
Profitability					Share Price Indicators				
ROE	24.8%	21.7%	21.1%	21.3%	EPS	4,131	3,759	3,777	4,441
ROA	2.4%	2.1%	2.0%	2.0%	BVPS	18,269	18,685	19,325	22,384
Pre-provision ROE	27.0%	23.4%	23.4%	23.8%	Tangible BVPS	17,897	18,195	18,732	21,575
Pre-provision ROA	2.6%	2.3%	2.2%	2.2%	Valuations				
Net interest margin (NIM)	3.9%	3.6%	3.5%	3.6%	PER	6.1	6.7	6.6	5.6
Efficiency					PBR	1.4	1.3	1.3	1.1
Pure Loan to deposit ratio	101.0%	108.1%	108.0%	105.0%	Dividend yield	24.8%	21.7%	21.1%	21.3%
Cost-income ratio	33.2%	32.5%	33.0%	32.8%	ROE				
Growth					Capital Adequacy				
Asset growth	18.2%	20.2%	20.9%	13.8%	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%	17.3%	18.0%	NPL ratio (substandard)	1.2%	1.5%	1.4%	1.4%
Parent NP growth	17.2%	4.6%	13.6%	17.6%	Coverage ratio (substandard)	82.7%	62.2%	67.0%	74.4%
EPS growth	1.9%	-9.0%	0.5%	17.6%	NPL ratio (precautionary)	1.9%	2.0%	2.1%	2.1%
BVPS growth	5.6%	2.3%	3.4%	15.8%	Coverage ratio (precautionary)	53.7%	47.1%	44.7%	49.0%

Source: Company report, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute 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 expectations for absolute price gains over the next 6 months)

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

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