

21 Jul 2020

# Asia Commercial Bank (ACB)

## To request for extra 3-4% credit growth quota

### 1H20 highlights: on track with 2020 targets

- In 21 July, ACB hosted a quarterly meeting with investors and analysts. 1H20 PBT was up just 5% yoy to VND3.8tn (VND1.9tn for 2Q20, down slightly by 1.1% yoy). With that, the bank completed ~50% of the 2020 PBT target.
- ACB achieved a loan book of VND282tn (+5.6% ytd and +3.26% qoq). Of which, retail loan increased by 6.4% ytd; SMEs loan increased 6.0% ytd and MMLC loan decreased by 2% ytd. The bank reconfirmed its health balance sheet with NPL ratio of 0.7% (flat against 1Q20) and LLC of 138% as of June 2020. With a brighter outlook, ACB hopes to extend its 2020 credit limit by 3-4% from current level of 11.75%.
- Customer deposit reached VND331tn (+7.3% ytd and +5.75% qoq).
- The parent bank's NIM was 3.3%, down 10 bps from 4Q19. It plans to raise LDR from 79.5% to 82-83%.
- ACB revealed to be one of top three in bancassurance in June (~VND100bn). Total banca fee in 2020 is expected at VND900bn, a strong increase from VND314bn in 1H20.
- ACB seems happy with its operation achievements in 1H20, particularly customer base (+50,000 new credit cards), CASA (18%, up 2 %p qoq).
- 30% stock dividend may be carried in mid-August.

### COVID-19 restructured loans reached VND9tn

- Total COVID-19 restructured loan book was VND9tn in 1H20. With that, the bank estimated that ~VND500bn of interest income has not accrued in 2020 (~VND200bn as of June 2020). Overall moratorium period is around 3-6 months.
- Some of them were returned to normal terms. So that the bank doesn't expect significant decline in asset quality by termination.

	2017A	2018A	2019A	2020F	2021F
TOI (VND bn)	11,439	14,033	16,097	17,480	21,053
chg. (% YoY)	51.3	22.7	14.7	8.6	20.4
PPE (VND bn)	5,222	7,321	7,790	9,616	11,513
Net profit (VND bn)	2118	5137	6010	6313	7060
EPS (VND, adj.)	1,276	3,107	3,568	3,737	4,184
chg. (% YoY)	62.2	143.6	14.8	4.7	12.0
PB (x)	2.5	1.9	1.5	1.2	1.0
PE (x)	19.3	7.9	6.9	6.6	5.9
P/PPE (x)	7.6	5.4	5.2	4.3	3.6
NIM (%)	3.5	3.6	3.6	3.4	3.6
ROE (%)	14.1	27.7	24.6	20.5	19.1
ROA (%)	0.8	1.7	1.7	1.5	1.5
Dividend yield (%)	1.7	0.0	0.0	0.0	2.0
CAR (%)	8.0	10.1	10.9	11.7	12.4

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **BUY (Maintain)**

12M TP **28,900**

Up/Downside **+17.5% (incl 0% cash dividend)**

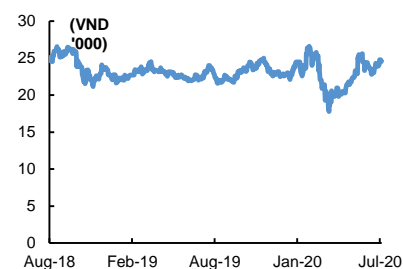
### Stock Data

VNIndex (Jul 21, pt)	862
Stock price (Jul 21, VND)	24,600
Market cap (USD mn)	1,750
Shares outstanding (mn)	1,663
52-Week high/low (VND)	26,600/17,800
6M avg. daily turnover (USD mn)	4.28
Free float / Foreign ownership (%)	77.2/30.
Major shareholders (%)	
Dragon Capital	14.1
ALP Asia Finance	10.0
Mr. Tran Hung Huy & affiliates	6.1
Estes Investment Ltd	5.0

### Performance

	1M	6M	12M
Absolute (%)	0.8	(0.4)	2.3
Relative to VNIndex (%p)	1.2	12.6	13.5

### Stock price trend



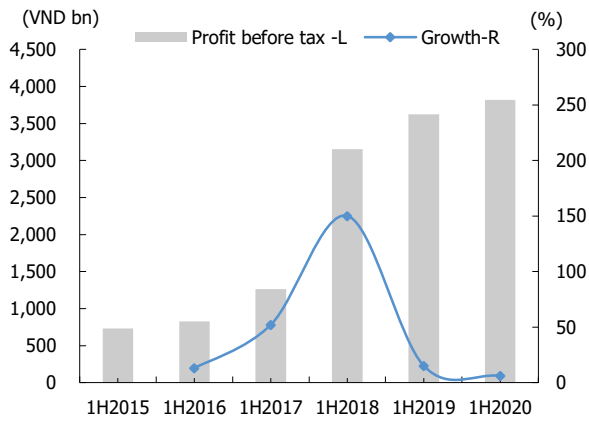
Source: Bloomberg

**Yen Tran**

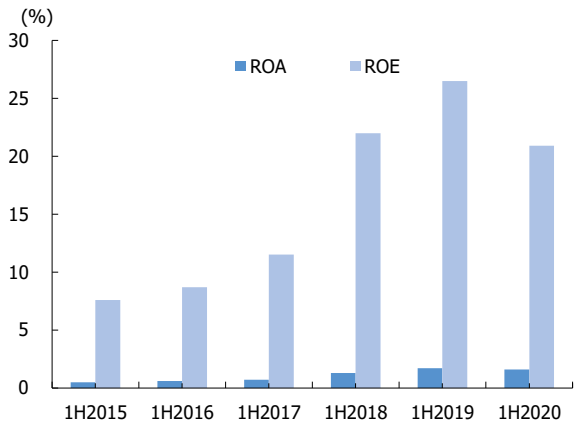
[yen.tt@kisvn.vn](mailto:yen.tt@kisvn.vn)

**Action: maintain BUY**

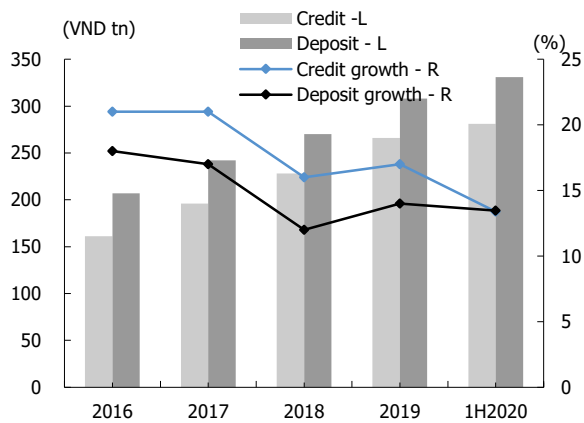
We maintain BUY with a TP of VND28,900. We expect VND9tn of COVID-19 restructured debts may lift the 2020 provision expenses to VND1.8tn, or a credit cost of 0.62%. 2020 PBT may achieved VND7.8tn, overpassing the target by 3%.

**Figure 1. Semi-annual PBT**

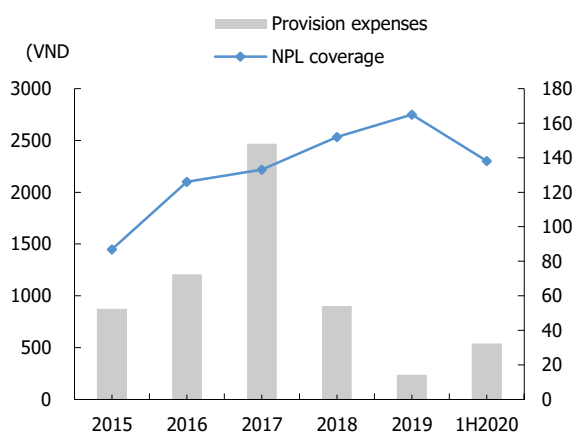
Source: Company data, KIS Vietnam

**Figure 2. Profitability**

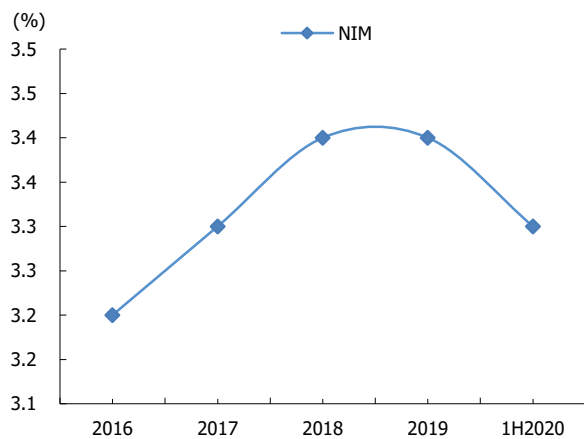
Source: Company data, KIS Vietnam

**Figure 3. Credit & Deposit**

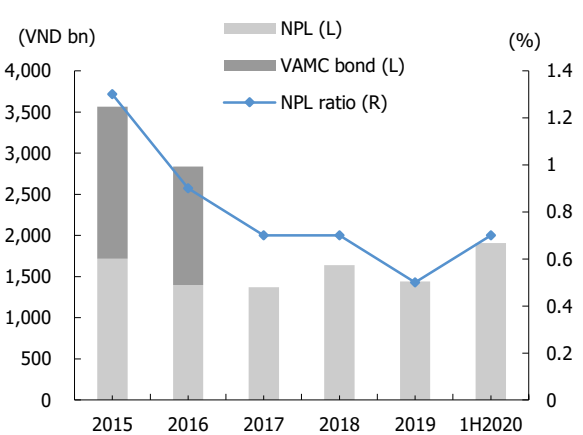
Source: Company data, KIS Vietnam

**Figure 4. Provision expenses**

Source: Company data, KIS Vietnam

**Figure 5. NIM**

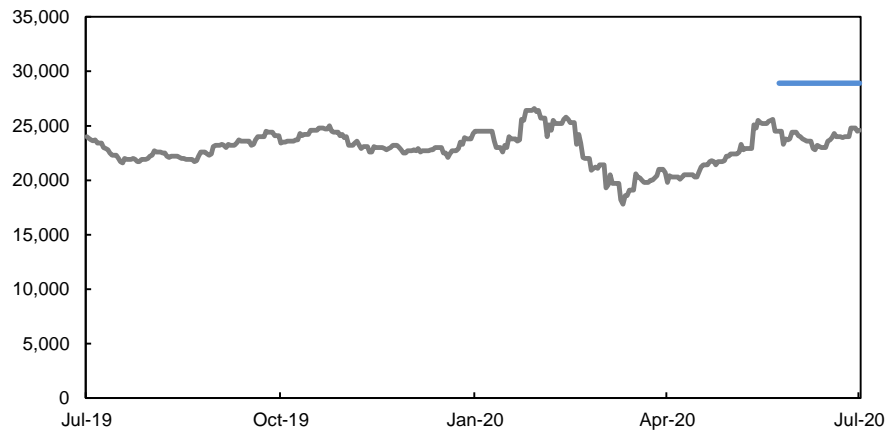
Source: Company data, KIS Vietnam

**Figure 6. NPL ratios**

Source: Company data, KIS Vietnam

**Changes to recommendation and price target**

Company (Code)	Date	Recommendation	Price target	% vs. avg. price	% vs. high (low)
Asia Commercial Bank (ACB)			BUY VND28,900		
	20 Mar 20	BUY	VND28,900		
	28 Apr 20	BUY	VND28.900		

**■ Company overview**

ACB is one of the leading private banks in Vietnam, operating 369 branches and transaction offices in 47/64 provinces in Vietnam. ACB positioned itself as the leader in retail banking market with ~3mn customers. It has four subsidiaries including ACB Securities (VND1,500bn of charter capital), ACB Assets Management (VND340bn), ACB Leasing (VND300bn) and ACB Capital (VND50bn).

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