

21 Oct 2020

Asia Commercial Bank (ACB)

Speed up

Rosy 3Q20 results

- From 3Q20 investor meeting on 20 Oct 2020, ACB revealed to gain a PBT of VND6.4tn in 9M20, up 15% yoy, fulfilling 84% of the target. NII reached VND10tn, up 14% yoy and non-interest income was VND2.7tn, up 7% yoy.
- FX trading and G-bond trading have brought in outstanding results in 9M20 beside bancassurance activity.
- 9M20 NIM was upbeat at 3.5%, an increase of 10bps against 2019 despite the shortage of accrued interest income from COVID-19 restructured loans. According to the bank's representatives, it is a result of higher CASA ratio (20% vs. 15-18% in previous years) and low deposit rates environment.
- Particularly, ACB achieved a 3Q20 PBT of VND2.6tn, up 34% yoy and 37% qoq on a TOI of VND4.2tn, up 9% yoy and 2.4% qoq thank to saving credit provision and OPEX.

Credit skyrockets by 10.6% ytd

- Lending skyrocketed by 3.6% qoq in 3Q20 to achieve a loan book of VND294tn by Sep 2020. With that, ACB achieved a credit growth of 10.6% ytd in 9M20, beating our expectation thanks to consumer segment, at 12.3% ytd and SME, at 10.7% ytd.
- Thanks to the bank's cautious credit policy, a diversified loan book and small exposure to hospitality sector, ACB is confident to overpass the 2020 stormy situation with a credit cost of below 1%.
- ACB allocated a provision expenses of VND171bn in 3Q20 (-61% qoq), and VND703bn in 9M20 (+330% yoy; ~an annualized credit cost of 0.34%). NPL ratio was small at 0.84% while NPL coverage ratio was 113%.
- Customer deposit reached VND335tn (+12.4% ytd and +1.3% qoq).

12M rating **BUY (Maintain)**

12M TP **25,800**

Up/Downside **+6.0%** (incl 4.0% cash dividend)

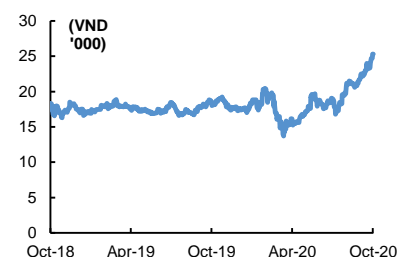
Stock Data

VNIndex (20 Oct pt)	944
Stock price (20 Oct, VND)	25,300
Market cap (USD mn)	2,359
Shares outstanding (mn)	2,162
52-Week high/low (VND)	25,300/13,693
6M avg. daily turnover (USD mn)	5.47
Free float / Foreign ownership (%)	76.2/39.0
Major shareholders (%)	
Dragon Capital	12.2
ALP Asia Finance	10.0
Mr. Tran Hung Huy & affiliates	6.1
Estes Investment Ltd	5.0

Performance

	1M	6M	12M
Absolute (%)	16.6	58.9	36.5
Relative to VNIndex (%p)	11.5	38.8	39.2

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020F	2021F
TOI (VND bn)	11,439	14,033	16,097	17,378	20,101
chg. (% YoY)	51.3	22.7	14.7	8.0	15.7
PPE (VND bn)	5,222	7,321	7,790	9,503	10,992
Net profit (VND bn)	2,118	5,137	6,010	6,250	7,370
EPS (VND, adj.)	981	2,390	2,744	2,845	3,361
chg. (% YoY)	62.2	143.6	14.8	3.7	18.1
PB (x)	3.3	2.5	2.0	1.6	1.4
PE (x)	25.8	10.6	9.2	8.9	7.5
P/PPE (x)	10.2	7.3	7.0	5.8	5.0
NIM (%)	3.5	3.6	3.6	3.4	3.4
ROE (%)	14.1	27.7	24.6	20.2	20.2
ROA (%)	0.8	1.7	1.7	1.5	1.6
Dividend yield (%)	1.3	0.0	0.0	0.0	4.0
CAR (%)	8.0	10.1	10.9	11.7	12.1

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

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COVID-19 restructuring will expire in 2021

- Total outstanding of COVID-19 restructured loans was flat at VND9.2tn, ~3.1% of total credit. Since some restructured amounts have repaid interest, the bank's representatives trimmed estimation of interest rate exclusion related to restructuring to ~VND300-400bn from previous forecast of VND500bn in July.
- ACB declared that 95% of restructure loan book may terminate in 2021 and not cause significant decline in the bank's asset quality.

Action: maintain BUY

Even though ACB has been approaching our 2021 TP at VND25,800, we maintain BUY since its operation performance has been above our forecast. We will revise assumptions and model when the 3Q20 financial statement released.

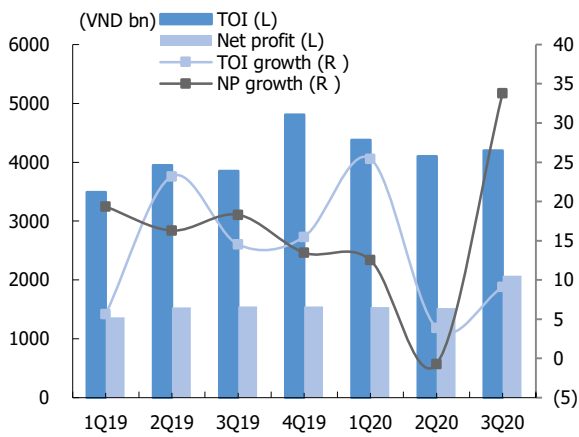
Table 1. Quarterly earnings trend

(VND bn, %, %p)

	4Q19	1Q20	2Q20	3Q20	9M20
TOI	4,810	4,378	4,102	4,200	12,680
chg. (% YoY)	15.5	25.4	3.9	9.1	12.3
NII	3,330	3,419	3,112	3,466	9,997
NFI	625	514	579	-	-
OPEX	2,743	2,361	1,768	1,437	5,566
CIR (%)	57.0	53.9	43.1	34.2	43.9
PPE	2,067	2,018	2,334	2,762	7,114
Loan loss provisions	112	93	440	171	703
PBT	1,955	1,925	1,895	2,591	6,411
Net profit	1,549	1,537	1,522	2,073	5,132
chg. (% YoY)	13.5	12.5	(0.7)	33.8	15.4

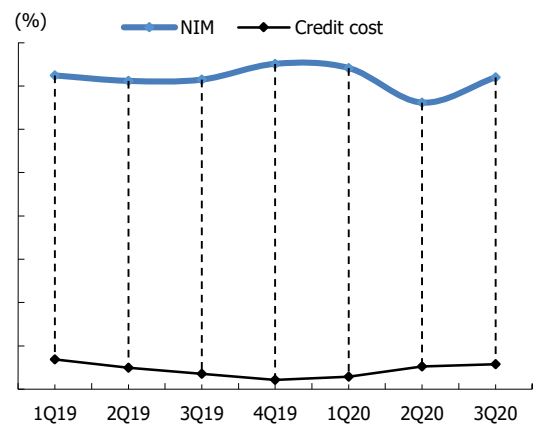
Source: Company data, KIS Vietnam

Figure 1. Quarterly earnings results



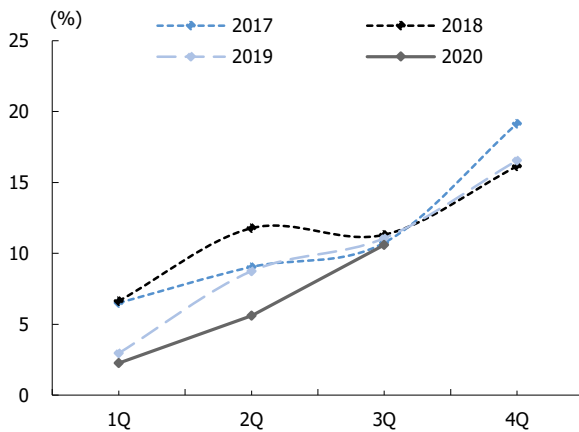
Source: Company data, KIS Vietnam

Figure 2. Annualized NIM and credit cost



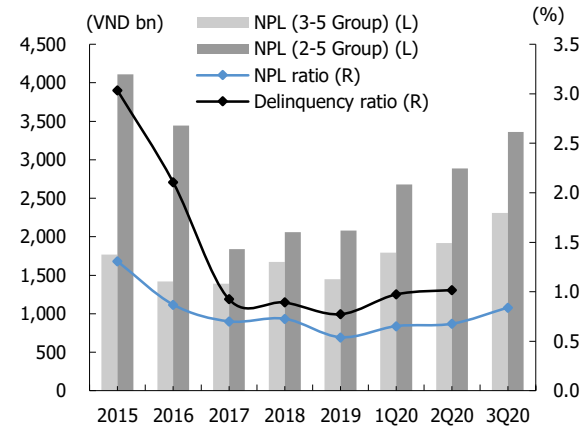
Source: Company data, KIS Vietnam

Figure 3. Credit growth (YoY)



Source: Company data, KIS Vietnam

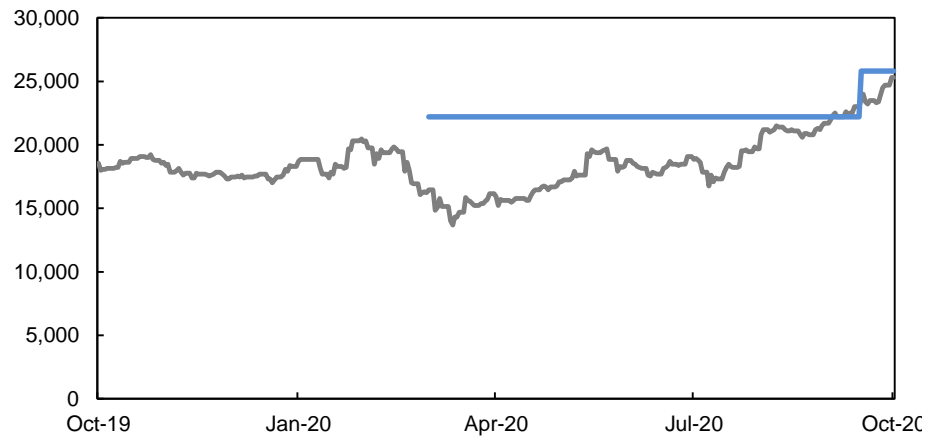
Figure 4. NPL ratios



Source: Company data, KIS Vietnam

Changes to recommendation and price target

Company (code)	Date	Recommendation	Target price	%vs. avg. price	%vs. high (low)
Asia Commercial Bank (ACB)	20-03-20	BUY	VND22,200	-	-
	28-04-20	BUY	VND22,200	-	-
	29-07-20	BUY	VND22,200	-	-
	05-10-20	BUY	VND25,800	-	-

**■ Company overview**

ACB is one of the leading private bank 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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