

11 May 2021

Asia Commercial Bank (ACB)

Resilient NIM eases negative NPL move

- 1Q21 NP was up 62% yoy.
- NPL increased to 0.9% and provision surged to VND606bn.
- Banca regained the spotlight.

1Q21 NP is still strong despite a rise in NPL ratio

ACB posted 1Q21 NP at VND2.5tn, a growth of 62% yoy but almost flat qoq. PPE advanced by 83% yoy and 8.1% qoq thanks to stronger NII and NFI. However, credit provision jumped to VND606bn vs. VND246bn in 4Q20 and VND90bn in 1Q21 when ACB suffered higher NPL ratio and trimmed collateral values.

Lending was positive than industry average at a ytd growth of 4.1% to VND 324tn in 1Q21. Consumer book was the main key driver in the quarter with a ytd growth of 4.9%. NIM improved by 62bps yoy and 6bps qoq to 4.33%. Deposit was flat at VND353tn. As deposit rates maintain at low range and there is room to raise LDR ratio, we adjust NIM to up 31bps to 4.24% for 2021F.

To book VND300bn provision on restructured COVID-19 loans

Total outstanding of impacted debtors restructured under Cir.01 decreased to VND8.5tn from VND9tn in 4Q20. Forecasted extra provision expenses following Cir.03 – an amendment of Cir.01 will be ~VND300bn in 2021. We believe this is the minimum requirement for the first year, so we keep our projection of high credit provision of VND1.6-1.8tn per annum during 2022-2023.

Positive sign from banca

NFI was strong at VND821tn, up 60% yoy and 35.9% qoq, mainly thanks to insurance fee and transaction fee. The VND8.4tn of upfront fee is allocated equally every quarter through 2021-2036. Notably, banca has gained the spotlight as ACB returns to top 3 market share despite short-time corporation with Sunlife. This proves effectiveness of the bank's banca model. Thanks to that, we keep our view that non-interest income/TOI may increase to 19% by 2025.

Maintain BUY

We lift 2021F NP by 10% to VND12.5tn, up 30.7% yoy and upgrade 12M TP to VND40,100. We expect healthy topline growth of 16-18% is able to offset extra provision and helps ACB to achieve NP growth of 17-30% in coming years.

12M rating **BUY (Maintain)**

12M TP **40,100** from 35,600

Up/Downside **+15.7%**(incl 1.8% cash dividend)

Stock data

VNIndex (23 Feb, pt)	1,242
Stock price (23 Feb, VND)	35,200
Market cap (USD mn)	3,299
Shares outstanding (mn)	2,162
52-Week high/low (VND)	35,300/16,462
6M avg. daily turnover (USD mn)	12.78
Free float / Foreign ownership (%)	80.8/30.0
Major shareholders (%)	
ALP Asia Finance	10.0
Dragon Capital	7.6

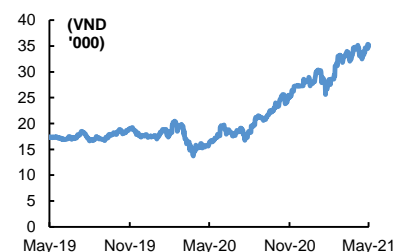
Valuation

	2019A	2020F	2021F
PB (x)	2.5	1.9	1.6
PE (x)	11.6	9.0	7.6
ROA (%)	1.7	1.9	1.9
ROE (%)	24.6	24.3	23.4
DY (%)	-	-	3.2
P/PPE (x)	8.8	6.5	5.4
BPS (VND,adj)	12,893	16,399	19,565
EPS (VND,adj)	2,744	3,508	4,166

Performance

	1M	6M	12M
Absolute (%)	2.3	40.2	115.8
Relative to VNIndex (%p)	2.3	7.0	57.2

Stock price



Source: Bloomberg

Yen Tran

yen.tt@kisvn.vn

Table 1. Earnings trend and outlook

(VND bn, %)

	2020				2021F				2020	2021	1Q21	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			QoQ	YoY
Loans to customers and corporate bonds	274,794	283,755	297,386	311,479	324,311	336,397	348,856	358,201	311,479	358,201	4.1	18.0
% growth (ytd)	2.3	5.6	10.7	15.9	4.1	8.0	12.0	15.0	15.9	15.0	-	1.9
Loans to customers	274,794	283,755	297,386	311,479	324,311	336,397	348,856	358,201	311,479	358,201	4.1	18.0
NPL (3-5 group)	1,792	1,919	2,480	1,840	2,954	2,421	2,532	2,399	1,841	2,399	60.5	64.8
NPL ratio (% , %p)	0.7	0.7	0.8	0.6	0.9	0.7	0.7	0.7	0.6	0.7	0.3	0.3
NPL (2-5 group)	2,678	2,888	3,308	2,416	3,980	3,621	3,280	3,147	2,417	3,147	64.7	48.6
NPL ratio (% , %p)	1.0	1.0	1.1	0.8	1.2	1.1	0.9	0.9	0.8	0.9	0.5	0.3
Loan loss coverage (% , %p)	1.5	1.4	1.2	1.6	1.2	1.5	1.5	1.6	2	2	(0.4)	(0.3)
VAMC	0	0	0	0	0	-	-	-	-	-	-	-
Deposit from customers and bond	335,643	353,642	357,617	375,246	372,602	385,704	399,065	423,647	375,246	423,647	(0.7)	11.0
Deposit from customers	312,654	330,551	334,729	353,196	352,218	365,344	378,875	398,753	353,196	398,753	(0.3)	12.7
% growth (ytd)	-	5.7	7.1	13.0	-	3.7	7.6	13.2	13.0	13.2	-	-
CASA (%)	15.9	17.5	18.4	21.0	21.4	-	-	22.3	21.0	22.3	0.5	5.5
Total assets	335,803	350,938	358,175	383,514	387,396	396,760	418,748	444,530	383,514	444,530	1.0	15.4
Total equity	22,384	23,833	25,365	27,765	29,412	30,832	32,919	35,448	27,765	35,448	5.9	31.4
Total operating income	4,378	4,102	4,486	5,195	5,675	5,771	6,076	6,210	18,161	23,732	9.2	29.6
Net interest income	3,419	3,112	3,635	4,416	4,640	4,721	4,926	5,000	14,582	19,286	5.1	35.7
NIM (% , %p)	3.71	3.31	3.71	4.26	4.33	4.30	4.34	4.22	3.7	4.2	0.1	0.6
Non-interest income	959	990	851	780	1,036	1,050	1,150	1,210	3,579	4,446	32.9	8.0
Net commission income	514	579	684	604	821	900	1,000	977	2,382	3,698	35.9	59.9
Gains on investment securities	365	389	55	109	166	100	100	70	918	436	51.3	(54.6)
Other non-interest income	81	22	111	66	49	50	50	163	280	312	(25.7)	(39.2)
Provision for credit losses	93	440	162	247	606	317	193	504	941	1,621	145.3	553.7
Net operating revenue	4,286	3,663	4,324	4,948	5,070	5,453	5,882	5,706	17,220	22,111	2.4	18.3
SG&A	2,361	1,768	1,732	1,764	1,965	2,539	2,673	2,390	7,624	9,568	11.4	(16.7)
CIR (%)	53.9	43.1	38.6	33.9	34.6	44.0	44.0	38.5	42	40	0.7	(19.3)
Pre-provision earnings	2,018	2,334	2,754	3,432	3,710	3,231	3,403	3,820	10,537	14,164	8.1	83.9
EBT	1,925	1,895	2,592	3,185	3,104	2,914	3,209	3,316	9,596	12,543	(2.5)	61.3
Net profit	1,537	1,522	2,075	2,550	2,483	2,331	2,567	2,653	7,683	10,035	(2.6)	61.6
Controlling-int. NP	1,537	1,522	2,075	2,550	2,483	2,331	2,567	2,653	7,683	10,035	(2.6)	61.6

■ Company overview

ACB is one of the leading private banks in Vietnam, operating 371 branches and transaction offices in 47/64 provinces in Vietnam. ACB positioned itself as the leader in retail banking market with a client base of ~3.3mn customers. It has four subsidiaries including ACB Securities (VND1,500bn of charter capital), ACB Assets Management (VND340bn), ACB Leasing (VND300bn) and ACB Capital (VND50bn).

Balance sheet

(VND bn)

	2018A	2019A	2020A	2021F	2022F
Total assets	329,333	383,514	444,530	505,765	569,610
Gross IEAs	314,817	368,778	425,387	489,469	551,567
Loans and corp bonds	230,527	268,701	311,479	358,201	411,931
Household	215,713	247,094	280,173	-	-
Corporate	14,814	21,606	31,306	358,201	411,931
Dep't and loans to FIs	19,460	30,442	31,671	40,325	39,284
Dep't to SBV & G-bond	64,829	69,636	82,237	90,943	100,352
VAMC bond	40	-	-	-	-
NIEAs	19,109	19,609	23,613	20,862	23,019
Others	4,633	4,873	4,470	4,565	4,976
Total liabilities	308,315	355,749	409,082	460,482	514,001
Deposits	269,999	308,129	353,196	398,753	445,325
Debentures	8,291	20,831	22,050	24,894	27,801
Dep't and loans from FIs	20,878	19,405	23,992	26,379	29,006
Loans from Gov't & SBV	3,074	-	-	-	-
Other liabilities	6,073	7,384	9,844	10,456	11,869
Total equities	21,018	27,765	35,448	45,283	55,609
Controlling interests	21,018	27,765	35,448	45,283	55,609
Capital stock	12,886	16,627	21,616	27,019	27,019
Capital surplus	-	272	272	272	272
Other reserves	3,693	4,596	5,742	6,894	8,399
Retained earnings	4,439	6,270	7,819	11,097	19,919
OCI	-	-	-	-	-
Minority interest	-	-	-	-	-

Income statement

(VND bn)

	2018A	2019A	2020A	2021F	2022F
Total operating income	14,033	16,097	18,161	23,732	27,826
Net interest income	10,363	12,112	14,582	19,286	21,741
Interest income	24,015	28,318	31,856	36,003	40,887
Interest cost	13,652	16,205	17,274	16,717	19,146
Non-interest income	3,670	3,985	3,579	4,446	6,084
Net commission income	1,739	2,327	2,382	3,698	4,758
Gains on investment securities	117	158	918	436	760
Other non-interest income	1,815	1,500	280	312	566
Provision for credit losses	932	274	941	1,621	1,616
Net operating revenue	13,101	15,824	17,220	22,111	26,210
SG&A	6,712	8,308	7,624	9,568	11,368
Employee benefits	3,220	3,746	4,337	5,667	6,645
Pre-provision earnings	7,321	7,790	10,537	14,164	16,458
Earnings before tax	6,389	7,516	9,596	12,543	14,842
Tax	1,252	1,506	1,913	2,509	2,968
Tax rate (%)	19.6	20.0	19.9	20.0	20.0
Continuing operations profit	3,372	4,583	7,403	9,723	11,307
Reversals of written-off loans	1,765	1,427	280	312	566
Net profit	5,137	6,010	7,683	10,035	11,873
Net profit of controlling interest	5,137	6,010	7,683	10,035	11,873

Key financial data

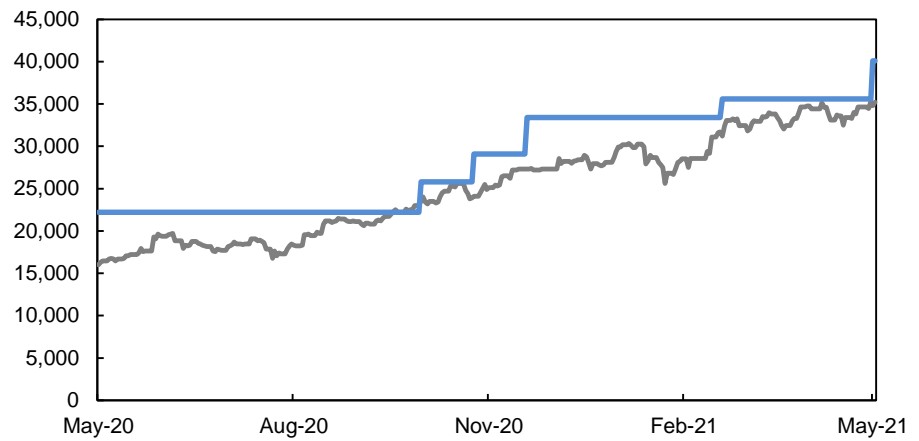
	2018A	2019A	2020A	2021F	2022F
Profitability and efficiency (%)					
ROE	27.7	24.6	24.3	24.9	23.5
ROA	1.7	1.7	1.9	2.1	2.2
NIM	3.6	3.6	3.7	4.2	4.2
Asset yield	8.3	8.3	8.1	7.9	7.9
Cost of fund	4.8	5.0	4.6	3.9	4.0
Cost-income ratio	47.8	51.6	42.0	40.3	40.9
Credit cost	0.4	0.1	0.3	0.5	0.4
Growth (%)					
Net profit of controlling interest	142.5	17.0	27.8	30.6	18.3
Pre-provision earnings	40.2	6.4	35.3	34.4	16.2
Credit growth	16.0	16.6	15.9	15.0	15.0
Total assets	15.8	16.5	15.9	13.8	12.6
Asset quality (%)					
NPL ratio	0.7	0.5	0.6	0.7	0.7
NPL coverage ratio	151.9	175.0	160.3	156.7	153.1
Loan to deposit	78.6	78.4	80.3	81.8	84.3
Capital adequacy (%)					
CAR ratio	10.1	10.9	11.1	12.5	13.4
CET1 ratio	n.a	n.a	n.a	n.a	n.a
Tier 1 ratio	8.6	9.7	10.4	11.6	12.5

Valuation

	2018A	2019A	2020A	2021F	2022F
Per share (VND, adj.)					
BPS	9,972	12,893	16,399	20,949	25,727
EPS	2,390	2,744	3,485	4,550	5,402
DPS	-	-	-	-	625
Valuation (x)					
PB	3.5	2.7	2.1	1.7	1.4
PE	14.7	12.8	10.1	7.7	6.5
P/PPE	10.1	9.7	7.2	5.4	4.6
Dividend yield (%)	-	-	-	-	1.8
Dividend payout ratio (%)	-	-	-	-	11.6
ROE analysis (%)					
ROE	27.7	24.6	24.3	24.9	23.5
Leverage(x)	15.7	13.8	12.5	11.2	10.2
IEAs to total assets	94.3	95.0	94.7	95.9	96.0
Net income to IEAs	1.6	1.6	1.8	2.1	2.2
Net interest income to IEAs	3.3	3.3	3.4	3.9	3.9
Non-interest income to IEAs	1.2	1.1	0.8	0.9	1.1
Credit cost to IEAs	0.3	0.1	0.2	0.3	0.3
SG&A to IEAs	2.1	2.3	1.8	2.0	2.1

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	-	-
	30-10-20	BUY	VND29,100	-	-
	24-11-20	BUY	VND33,400	-	-
	23-02-21	BUY	VND35,600	-	-
	10-05-21	BUY	VND40,100	-	-



■ **Guide to KISVietnamSecuritiesCorp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less

KISVietnamSecuritiesCorp. does not offer target prices for stocks with Hold or Sell ratings

■ **Guide to KISVietnamSecuritiesCorp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KISVietnamSecuritiesCorp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KISVietnamSecuritiesCorp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KISVietnamSecuritiesCorp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KISVietnamSecuritiesCorp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KISVietnamSecuritiesCorp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KISVietnamSecuritiesCorp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KISVietnamSecuritiesCorp. does not own over 1% of shares of the companies mentioned in this report as of 11 May 2021.

KISVietnamSecuritiesCorp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 11 May 2021.

KISVietnamSecuritiesCorp. has not issued CW with underlying stocks of Asia Commercial Bank (ACB) and is not the liquidity provider.

Prepared by: Yen Tran

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KISVietnamSecuritiesCorp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KISVietnamSecuritiesCorp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KISVietnamSecuritiesCorp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KISVietnamSecuritiesCorp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KISVietnamSecuritiesCorp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2021 KISVietnamSecuritiesCorp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KISVietnamSecuritiesCorp..