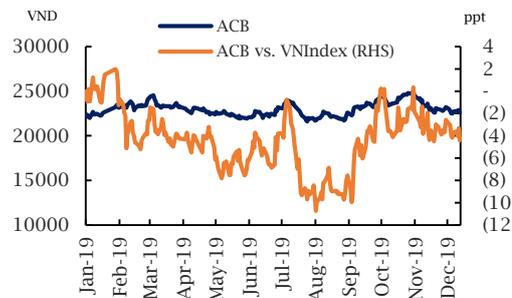


Asia Commercial Bank [ACB VN]
16 January 2020
Not Rated
TP upside/(downside) N/A
Close 15 Jan 2020
Price VND 23,300
12M Target N/A


Market cap	US\$1.7 bn
6M avg. daily turnover	US\$1.7 mn
Outstanding shares	1,657 mn
Free float	78%
FINI ownership	30%
Major shareholders	29.7%
2020E Asset/equity (x)	16
2020E P/E (x)	5.9
2020E P/B (x)	1.1
FOL remaining room	0%
2020E ROE (%)	21.7
2020E ROA (%)	1.59
2020E Dividend yield (%)	1.6

Source: Bloomberg, Company data

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Event

ACB held an analyst meeting to discuss their preliminary 2019 results and strategy/outlook for 2020.

Key takeaways

Preliminary credit growth reached 17% YoY in 2019, much higher than the initial target of 13% disclosed at the beginning of the year.

Preliminary PBT reached VND1.9 tn in 4Q19, up +2.1% QoQ and +5.5% YoY. Preliminary full-year 2019 PBT was VND7.5 tn (+17.6% YoY), completing 103% of the bank's full-year target for 2019.

Asset quality remains strong. The NPL ratio was only 0.54% in 2019P (-16bps YoY), and NPL coverage ratio was 165% (+13 ppt YoY).

Management targets to reach 15% credit and deposit growth in 2020E, pending SBV approval. CAR (Basel 2) was 11% in 2019.

Fee income is the key driver for revenue growth going forward, especially bancassurance, card services, and trade services. ACB is considering a bancassurance exclusivity deal, but nothing is finalized and they do not expect a deal to be completed until at least 2H20.

Aggressive customer growth target. Management targets 1.0 million new customers, mainly individuals (950,000 clients), in 2020E. That would bring ACB's total client base to 3.8 million.

Targeting VND8.7 tn in PBT in 2020E (+15.7% YoY). Guidance is for a 20% stock dividend and 10% cash dividend in 2020E.

ACB Securities divestment is unclear. Management did not mention the timeline of a potential divestment or discuss the possible buyer.

HOSE listing is still pending and ACB has no clear timeline for this.

Our view

ACB appears to be a **relatively strong bank fundamentally**, given its strong capital ratios and asset quality.

Bancassurance (+151% YoY) is a key driver of fee income, accounting for 30% of the total fees in 2019. We expect the potential bancassurance exclusivity deal to be a key topic of interest in 2020.

Cheap valuation. We don't cover ACB and have no investment opinion on the stock. However, the valuation looks cheap given its 2020E P/BV of 1.1x (in line with the sector median) while Bloomberg consensus 2020E ROE of 22% is higher than the sector median of 20%. We attribute the discount as being largely due to the bank's full-FOL status. The likely 1Q20 launch of the [VN Diamond ETF](#) is not a catalyst for this full-FOL stock because it is not part of the HOSE-designated index. Thus, an eventual HOSE listing could be a priority for ACB.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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