

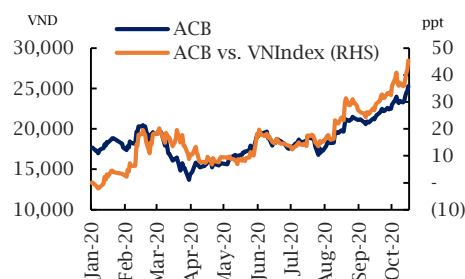
BUY

TP upside (downside) +2%

Close 19 Oct 2020

Price VND 25,300
12M Target VND 25,690

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$2.3 bn
6M avg. daily turnover	US\$5.9 mn
Outstanding shares	2,162 mn
Free float	95%
FINI ownership	30%
Major shareholders	35%
2020E Asset/Equity (*)	10.8x
2020E P/E (*)	8.6x
2020E P/B (*)	1.4x
FOL Remaining Room	0.0%
2020E Dividend yield (*)	0.0%

Source: FiinPro, (*) Yuanta Vietnam

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Bloomberg code: YUTA

Asia Commercial Bank (ACB VN) Strong 3Q20 PBT (+34% YoY)

Event

ACB reported 3Q20 consolidated PBT of VND2.6 tn (+37% QoQ/+34% YoY) driven by high credit growth and low operating expenses. In 9M20, ACB's consolidated PBT reached VND6.4 tn (+15% YoY), fulfilling 84% of the bank's full-year target and 81% of our forecast.

Details

Credit growth was 10.6% YTD, which is far higher than the industry average of 6.1%. The SBV has increased credit growth room for ACB to 14.75% from the initial target of 11.75%.

3Q20 net interest income was VND3.5 tn (+11% QoQ/+15% YoY).

NIM on total average assets was 3.41% in 3Q20 (+23bps QoQ but flat YoY), which the bank attributes to slightly lower funding costs due to its improved CASA deposit franchise and [SBV easing](#).

3Q20 net fee income was VND1.2 tn (-7% QoQ/-23% YoY). **The bank's cost to income ratio (CIR)** of 45.1% (-3.6ppt QoQ).

Parent-level provisioning reached VND162 bn (-64% QoQ/+156% YoY) which we expect will be close to the consolidated figure. The reported parent-level NPL ratio was 0.80% (+30bps vs. 2019A). Total aggregate NPLs were VND2.5 tn (+78% YoY).

ACB's LLR ratio was 113% (-31ppt QoQ/-46ppt YoY) in 3Q20. This is among the highest reserve coverage ratios in the industry.

CASA deposits improved. CASA ratio was 20% as at 3Q20 (+2ppt QoQ/+3ppt YoY). **Short-term capital for medium to long-term loans** was 26% as at 3Q20, well shy of the 40% regulatory cap.

Our view

This was a strong result as we suggested it would be in our [3Q20 earnings preview](#). Similar to MBB, the high LLR ratio gives ACB the flexibility to reduce provisioning and boost earnings in 3Q20.

Asset quality and capital remain solid. We believe ACB's NPL ratio is the lowest in the sector. Basel II total CAR is 10.7%, with Tier 1 accounting for 90%. ACB has submitted the required documents to list on the HSX and expects to do so in December 2020.

Maintain BUY. ACB trades at 1.4x 2020E P/B vs. the sector median of 1.3x, after increasing 22% since our initiation. We now have just 2% upside to our target price, but the strong share price momentum may continue anyway given the bank's positive operational results and its pending HSX listing.

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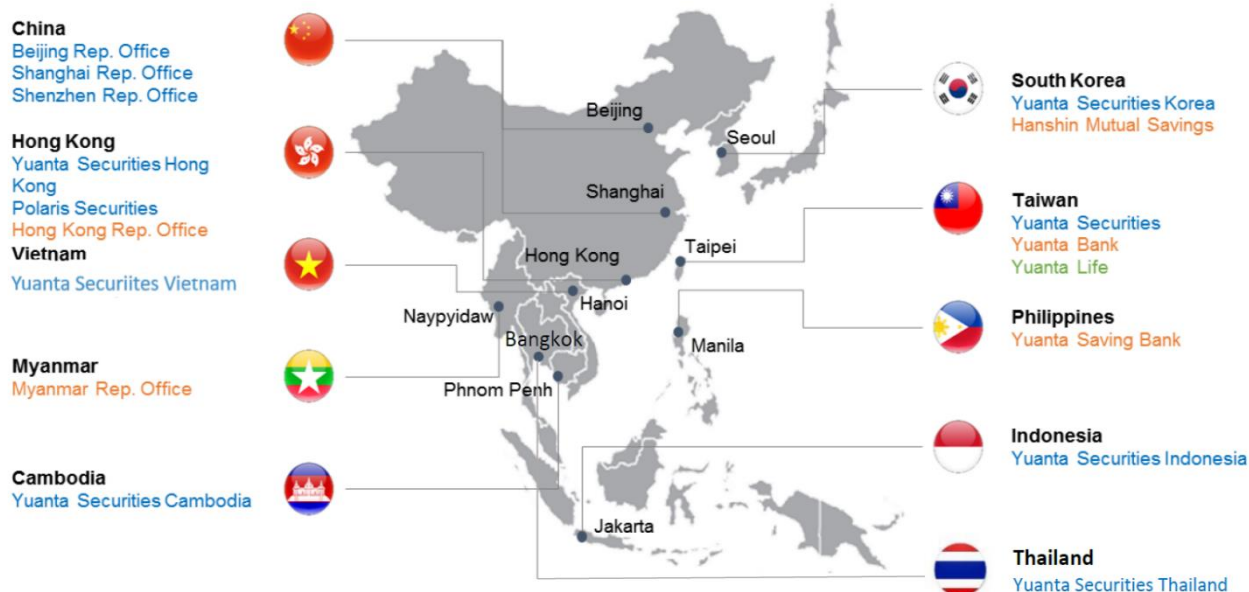
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