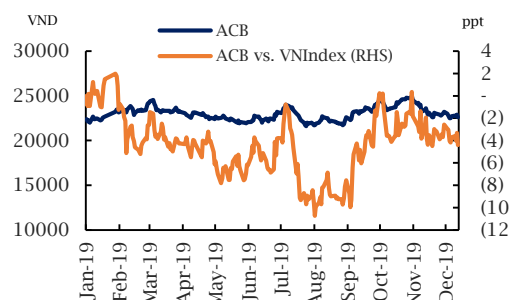


**Asia Commercial Bank [ACB VN]**
**16 January 2020**
**Not Rated**
**TP upside/(downside) N/A**
**Close 15 Jan 2020**
**Price VND 23,300**  
**12M Target N/A**


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

Source: Bloomberg, Company data

**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.

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