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Asia Commercial Bank (ACB)

Flat 2020E guidance; moving to HOSE

Flat 2020E earnings guidance and on the track to meet half of annual target in 1H20

- Shareholders approved the bank's flat 2020E guidance for a modest 1.6% fall in pretax earnings to VND7,636 billion and 11.75% credit growth target. The bank will continue its strategic focus on retail customers to increase the retail loan mix but also warned that the cost-to-income ratio would remain over 50% during this transition before falling to the 46% level after 2022E. Management's update on May performance also indicated that year-to-date credit growth remains sluggish at 4% vs 8% last year, with the net interest margin contracting to 2.9% from 3%. Consolidated pretax earnings reached VND3,500 billion for the first five months of the year and were on track to meet half of the full-year target by June.
- Management expects relief loans related to the coronavirus to be about VND15,000 billion at the most or 5.5% of total customer loans and estimates lost interest income at about VND600 billion. Moreover, the remaining balance of legacy debt related to the former chairman from the Group-6 companies is about VND806 billion plus an additional VND1,000 billion in outstanding interest payments. Recovery rates should be high over the next two years as the bank currently holds collateral valued at VND2,000 billion, including high quality assets.

Listing on HOSE not until November or December & after 30% stock dividend

- The change in listing venue to the Ho Chi Minh Stock Exchange should be completed this year but may be as late as November or December. The bank plans to complete the 30% stock dividend in September before moving to the main board. Management plans to boost charter capital by VND4,988 billion or about 30% to VND21,615 billion with a 10-for-3 stock dividend for 2019 results. Moreover, shareholders approved the bank's plan to issue an additional 18% stock dividend for 2020E performance.

Will issue Tier 2 capital in international market to diversify funding sources

- Shareholders also approved the bank's plan for an international Tier 2 subordinated debt offering for up to about 10% of total customer deposits. Management claimed that ACB is well positioned to meet most of its capital needs from internally-generated sources but will use the international issue to diversify funding as well as taking advantage of cheaper rates in overseas markets. Additional foreign currency will be used for international trade finance for importers and exporters.

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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