

Vietnam

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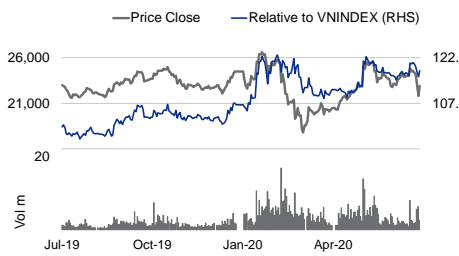
ADD (no change)

Consensus ratings*: Buy 13 Hold 2 Sell 0

Current price:	VND22,900
Target price:	VND28,500
Previous target:	VND28,500
Up/downside:	24.5%
CGS-CIMB / Consensus:	2.4%
Reuters:	ACB.HM
Bloomberg:	ACB VN
Market cap:	US\$1,642m
	VND38,076,684m
Average daily turnover:	US\$3.69m
	VND85,421m
Current shares o/s	1,663m
Free float:	35.0%
*Source: Bloomberg	

Key financial forecasts

	Dec-20F	Dec-21F	Dec-22F
Net Profit (VNDb)	6,533	7,328	8,435
Core EPS (VND)	3,876	4,347	5,013
Core EPS Growth	7.5%	12.1%	15.3%
FD Core P/E (x)	5.91	5.27	4.57
Recurring ROE	21.3%	20.1%	19.4%
P/BV (x)	1.17	0.97	0.81
DPS (VND)	500.0	500.0	500.0
Dividend Yield	2.18%	2.18%	2.18%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3	12.8	-2.1
Relative (%)	1.5	6.8	16

Major shareholders	% held
Chairman and related parties	11.3
Dragon Financial Holdings Limited	6.9
Whistler Investments Limited	5.0

Analyst(s)

Ngoc NGUYEN

T (84) 90 918 2135

E ngoc.nguyendang@vndirect.com.vn

Asia Commercial Joint Stock Bank

Heavy provisioning weighed on earnings

- ACB's 1H20 net profit rose 5.5% yoy to c.VND3,059bn, fulfilling 46.8% of our full-year forecast.
- 1H20 provision expense rose 5.6x yoy, helping ACB retain the lowest-among-peers NPL ratio of 0.68%, and 2nd-highest LLR of 144.1%.
- Reiterate Add with an unchanged TP of VND28,500.

2Q20 high provision expense damped net profit

- 2Q20 net interest income (NII) grew only 7.2% yoy to VND3,112bn, mainly backed by a 13.2% yoy rise in loan book while net interest margin (NIM) was a subdued 25bp.
- 2Q20 non-interest income (non-II) eased 5.3% yoy to VND990bn on a 18% yoy slump in net service income to c.VND427bn and a 95.4% yoy decrease in net other income to only VND22bn.
- 2Q20 cost income ratio (CIR) improved to 43.1% from 48.7% in 2Q19. Provision expense surged 295.4% yoy to c.VND440bn in 2Q20 as NPL ratio climbed to 0.68% at end-2Q20 from 0.66% at end-2Q19. Consequently, 2Q20 net profit decreased 0.7% yoy to c.VND1,522bn.

1H20: NIM compression on the back of lower lending rates

- 1H20 NII rose 13.4% yoy to VND6,531bn, backed by 13.2% yoy (+5.6% vs. end-FY19) expansion in loan book, while NIM dropped 8bp yoy to 3.47%. ACB has asked the State Bank of Vietnam for higher credit growth quota of 15%, from the current 11.75%.
- According to the bank, about VND9,000bn (~3.2% of loan book as at end-1H20) was restructured by giving grace periods for loan repayments and interest rate adjustments. In addition, a package of VND35tr (~12.3% of loan book at end-2Q20) with favourable interest rates of 6-7% was offered to SMEs and individuals.
- The bank expects FY20F NIM to dip to 3.2%, 27bp lower than our forecast.

1H20: Non-II rose 16.1% yoy, thanks to gains from trading investment securities

- 1H20 non-II rose 16.1% yoy to VND1,949bn, mainly due to c.VND296bn gain from FX trading (+98.1% yoy) and VND662bn of net gains from trading investment securities (vs. VND8.3bn loss in 1H19). Net service income fell 10.6% yoy to VND797bn while net bancassurance fee was at VND314bn in 1H20 vs. total bancassurance revenue of VND558bn in FY19.
- Overall, 1H20 total operating income grew 14% yoy, forming 47% of our full-year forecast. 1H20 CIR edged down to 48.7%, from 50% in 1H19, due to the reverse from provision for diminution in long-term investment of VND159bn in 1H20's operating expense vs. the provision for diminution in long-term investment of c.VND327bn in 1H19's

Aggressive provisioning to contain the NPL ratio

- Asset quality deteriorated as end-1H20 Group-2 loans grew 53.7% vs. end-FY19 and non-performing loans (NPL) climbed 32.6%, lifting the NPL ratio to 0.68% at end-1H20, higher than the 0.54% at end-FY19. However, ACB's NPL ratio is lowest among peers.
- 1H20 provision expense climbed 5.6x yoy to VND532bn, raising annualised credit cost to 0.39% in 1H20 vs. 0.08% in 1H19 (0.11% in FY19). The aggressive provisioning kept ACB's loan-loss-reserve (LLR) as high as 144.1% at end-1H20 (vs. 175% at end-FY19), still the second-highest among peers (behind VCB's LLR of 254.5%)
- 1H20 net profit edged up 5.5% yoy to c.VND3,059bn, fulfilling 46.8% of our FY20F forecast.

Reiterate Add with unchanged TP of VND28,500

- ACB's 1H20 results were in line with our forecasts, hence we reiterate our Add rating. Our TP is based on an equal weighting of residual income valuation (COE: 14.3%, LTG: 3%) and 1.3x FY20F P/BV.
- An exclusive bancassurance deal that promises a sizeable agency fee is a re-rating catalyst. Downside risk would be higher-than-expected funding costs weighing on NIM.

Figure 1: 1H20 results summary (VND bn unless otherwise noted)

Profit & Loss statement	2Q20	2Q19	% yoy	1Q20	% qoq	6M20	6M19	% yoy	% of VND forecasts	Comments
Net interest income	3,112	2,903	7.2%	3,419	-9.0%	6,531	5,760	13.4%	48.2%	In line with our forecast.
Non-interest income	990	1,046	-5.3%	959	3.3%	1,949	1,679	16.1%	43.4%	Below our forecasts as income from recovery of legacy bad debt was lower than our expectation.
Operating revenue	4,102	3,949	3.9%	4,378	-6.3%	8,480	7,439	14.0%	47.0%	
Operation expenses	(1,768)	(1,922)	-8.0%	(2,361)	-25.1%	(4,129)	(3,721)	10.9%	45.8%	
Pre-provision profit	2,334	2,026	15.2%	2,018	15.7%	4,352	3,718	17.1%	48.2%	
Provision expenses	(440)	(111)	295.4%	(93)	374.3%	(532)	(95)	457.3%	62.5%	Higher than our forecast. ACB did aggressively provision in 1H20, keeping its bad debts under control, choosing to maintain its position of the lowest NPL ratio of 0.68% and the second highest LLR of 144.1% among peers at end-1H20.
Pre-tax profit	1,895	1,915	-1.1%	1,925	-1.6%	3,820	3,622	5.4%	46.8%	
Net profit	1,522	1,533	-0.7%	1,537	-1.0%	3,059	2,899	5.5%	46.8%	In line with our forecast

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: Regional sector comparison

Banks	Bloomberg Code	Recommendation	Closing Price	Target Price	Market cap	P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROE	
			(local curr.)	(local curr.)	(US\$m)	FY20F	FY21F	FY20F	FY21F	%	FY20F	FY21F
China Merchants Bank	3968 HK	ADD	37	48	123,410	1.2	1.0	7.2	6.1	18.4%	17.1%	17.9%
Bank Rakyat Indonesia	BBRI IJ	ADD	3,140	3,000	26,646	2.1	1.9	20.9	11.2	6.4%	9.7%	17.7%
Bank Mandiri	BMRI IJ	ADD	5,850	6,000	18,782	1.4	1.3	18.0	10.3	5.1%	7.4%	13.1%
Indusind Bank	IIB IN	ADD	507	675	4,695	1.0	0.9	7.6	6.7	14.1%	13.1%	13.5%
Vietcombank	VCB VN	HOLD	78,500	86,200	12,559	3.0	2.4	13.8	11.8	16.1%	23.6%	22.7%
BDO Unibank Inc	BDO PM	ADD	89	135	7,918	1.0	1.0	13.3	12.0	1.7%	7.9%	8.2%
Yes Bank	YES IN	ADD	12	100	2,063	0.1	0.1	1.7	0.8	28.3%	6.1%	11.9%
Techcombank	TCB VN	ADD	18,750	27,400	2,831	0.9	0.8	6.1	5.3	12.5%	16.0%	15.8%
Military Commercial JS Bank	MBB VN	ADD	16,300	26,200	1,695	0.8	0.7	4.5	3.9	13.3%	20.5%	19.4%
Vietnam Prosperity JSC Bank	VPB VN	HOLD	20,700	25,000	2,177	1.0	0.8	6.1	5.0	15.5%	17.9%	18.4%
Average regional peers						1.2	1.1	9.9	7.3	13.1%	13.9%	15.9%
Asia Commercial JS Bank	ACB VN	ADD	22,900	28,500	1,642	1.2	1.0	5.8	5.2	11.6%	21.6%	20.4%

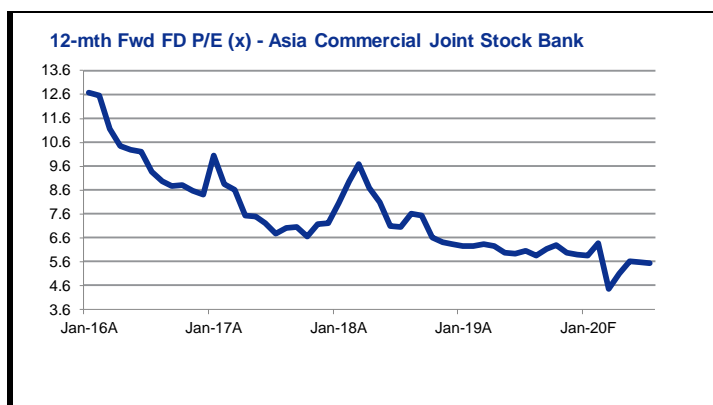
PRICE AS OF 28 JULY 2020

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	12,112	13,554	15,615	17,892
Total Non-Interest Income	3,985	4,490	4,455	5,154
Operating Revenue	16,097	18,044	20,070	23,046
Total Non-Interest Expenses	(8,308)	(9,022)	(9,834)	(11,293)
Pre-provision Operating Profit	7,790	9,022	10,236	11,754
Total Provision Charges	(274)	(852)	(1,072)	(1,204)
Operating Profit After Provisions	7,516	8,170	9,164	10,549
Pretax Income/(Loss) from Assoc.	0	0	0	0
Operating EBIT (incl Associates)	7,516	8,170	9,164	10,549
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	7,516	8,170	9,164	10,549
Exceptional Items				
Pre-tax Profit	7,516	8,170	9,164	10,549
Taxation	(1,506)	(1,637)	(1,836)	(2,114)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
Profit After Tax	6,010	6,533	7,328	8,435
Minority Interests	0	0	0	0
Prof. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	6,010	6,533	7,328	8,435
Recurring Net Profit	5,910	6,433	7,228	8,335

Balance Sheet Employment				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	87.2%	86.4%	86.4%	86.1%
Avg Loans/Avg Deposits	86.4%	86.8%	86.4%	86.2%
Avg Liquid Assets/Avg Assets	27.7%	27.7%	27.5%	27.3%
Avg Liquid Assets/Avg IEAs	28.8%	28.8%	28.4%	28.1%
Net Cust Loans/Assets	69.3%	69.7%	70.1%	70.5%
Net Cust Loans/Broad Deposits	76.3%	76.6%	77.5%	77.9%
Equity & Provsns/Gross Cust Loans	11.2%	11.8%	12.4%	12.9%
Asset Risk Weighting	74.0%	75.0%	77.0%	79.0%
Provision Charge/Avg Cust Loans	0.110%	0.299%	0.333%	0.328%
Provision Charge/Avg Assets	0.077%	0.210%	0.235%	0.233%
Total Write Offs/Average Assets	0.077%	0.210%	0.235%	0.233%



Balance Sheet				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	299,042	335,837	383,204	437,253
Liquid Assets & Invst. (Current)	59,408	64,564	72,312	80,989
Other Int. Earning Assets	10,508	11,769	13,181	14,763
Total Gross Int. Earning Assets	368,958	412,171	468,697	533,006
Total Provisions/Loan Loss Reserve	(3,003)	(3,358)	(3,822)	(4,332)
Total Net Interest Earning Assets	365,956	408,812	464,875	528,674
Intangible Assets	1,049	1,096	1,146	1,197
Other Non-Interest Earning Assets	10,072	10,525	10,998	11,493
Total Non-Interest Earning Assets	11,121	11,621	12,144	12,691
Cash And Marketable Securities	6,438	6,728	7,030	7,347
Long-term Investments	0	0	0	0
Total Assets	383,514	427,161	484,049	548,711
Customer Interest-Bearing Liabilities	328,960	368,392	416,532	474,087
Bank Deposits	19,249	20,211	21,222	22,283
Interest Bearing Liabilities: Others	156	156	156	156
Total Interest-Bearing Liabilities	348,365	388,759	437,910	496,526
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	7,384	5,766	7,008	5,449
Total Liabilities	355,749	394,526	444,917	501,975
Shareholders' Equity	27,765	32,635	39,132	46,736
Minority Interests	0	0	0	0
Total Equity	27,765	32,635	39,132	46,736

Key Ratios				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	14.7%	12.1%	11.2%	14.8%
Operating Profit Growth	6.4%	15.8%	13.5%	14.8%
Pretax Profit Growth	18%	9%	12%	15%
Net Interest To Total Income	75.2%	75.1%	77.8%	77.6%
Cost Of Funds	4.98%	4.80%	4.80%	4.80%
Return On Interest Earning Assets	8.28%	8.00%	8.05%	8.05%
Net Interest Spread	3.30%	3.20%	3.25%	3.25%
Net Interest Margin (Avg Deposits)	4.19%	4.13%	4.19%	4.20%
Net Interest Margin (Avg RWA)	5.03%	4.49%	4.51%	4.44%
Provisions to Pre Prov. Operating Profit	3.5%	9.4%	10.5%	10.2%
Interest Return On Average Assets	3.40%	3.34%	3.43%	3.46%
Effective Tax Rate	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	27.3%	12.7%	11.3%	9.9%
Return On Average Assets	1.69%	1.61%	1.61%	1.63%

Key Drivers				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16.6%	12.0%	14.0%	14.0%
Net Interest Margin (%)	3.5%	3.5%	3.5%	3.6%
Non Interest Income Growth (%)	8.6%	12.7%	-0.8%	15.7%
Cost-income Ratio (%)	51.6%	50.0%	49.0%	49.0%
Net NPL Ratio (%)	0.4%	0.4%	0.4%	0.4%
Loan Loss Reserve (%)	166.3%	154.7%	149.8%	155.0%
GP Ratio (%)	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	9.7%	10.0%	10.4%	10.7%
Total CAR (%)	10.9%	11.7%	11.9%	12.0%
Deposit Growth (%)	14.1%	13.0%	14.0%	14.5%
Loan-deposit Ratio (%)	86.2%	85.5%	85.5%	85.1%
Gross NPL Ratio (%)	0.5%	0.6%	0.6%	0.6%
Fee Income Growth (%)	26.6%	20.0%	25.0%	22.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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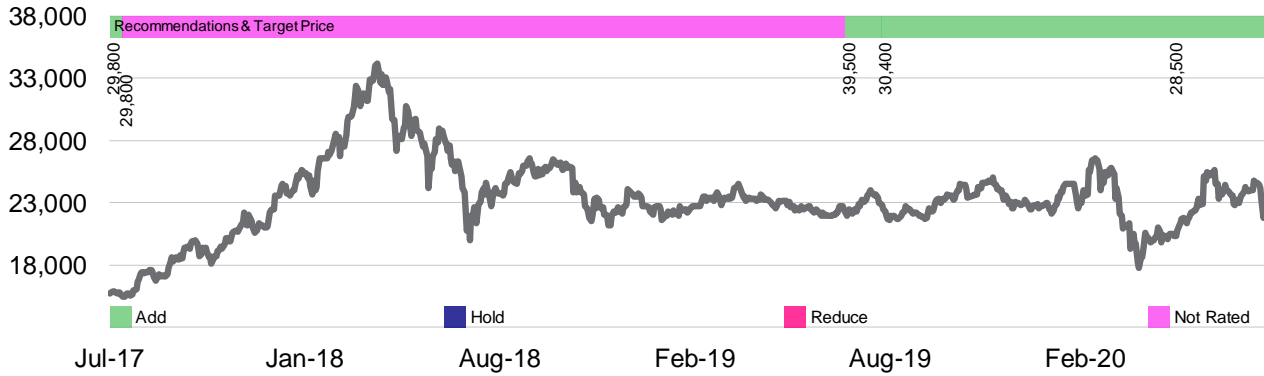
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800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Spitzer Chart for stock being researched (2 year data)

Asia Commercial Joint Stock Bank (ACB VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

[1 CG Score 2019 from Thai Institute of Directors Association \(IOD\)](#)

[2 AGM Level 2018 from Thai Investors Association](#)

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[4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:](#)

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

Hien Tran Khanh – Deputy Head of Research

Email: hien.trankhanh@vndirect.com.vn

Ngoc NGUYEN – Analyst

Email: ngoc.nguyendang@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi | Tel: +84 2439724568

Email: research@vndirect.com.vn | Website: <https://vndirect.com.vn>