

ASIA COMMERCIAL JSB (ACB) - AGM NOTE

Market Price VND29,600	Target Price VND39,800	Dividend Yield 0.0%	Rating ADD	Sector FINANCIALS
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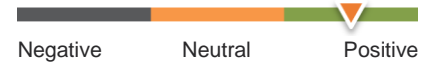
Outlook – Short term



Outlook – Long term



Valuation



24 April 2019

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We recently attended ACB's 2019 AGM on Apr 23th and the key takeaways are as follows:

ACB targets to grow its pre-tax profit by 14% yoy in FY19F. FY19F pre-tax profit is targeted at VND7,279bn, or 98% of our full-year forecast. The growth target for total assets, deposit and credit are 15% yoy, 15% yoy and 13% yoy, respectively, in which 13% yoy credit growth is the quota granted by SBV. ACB commented that they might ask for a higher credit growth limit later on.

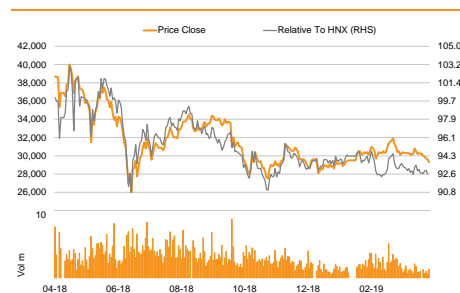
The bank will pay 30% stock dividend for FY18 and start paying cash dividend for FY19. After paying 30% stock dividend for FY18, its chartered capital will increase from VND12,886bn to VND16,627bn. For FY19F, ACB plans to pay 20% stock dividend and 10% cash dividend on par value.

ACB will sell 6.2 million treasury shares to employees as ESOP shares in FY19F. The minimum selling price is VND16,072/share. However, employees do not need to pay for these shares as ACB will use the bonus and welfare fund to finance this transaction. ACB estimates this transaction will cost the bank VND100bn. That 6.2 million shares is equivalent to 0.5% of the bank's outstanding shares, thus the dilution will be minimal. After the ESOP transaction, ACB will have 35 million treasury shares left. The bank does not have plans to sell these shares yet.

ACB has qualified for Basel II. On April 22, ACB got approval from the SBV to apply Basel II from May 1st, 2019. Compliance to Basel II is an advantage as ACB could be granted a higher credit growth quota. The bank disclosed that its capital adequacy ratio (CAR) under Basel II is over 9%, compare the 8% minimum requirement.

Bancassurance performed well in FY18 and ACB is considering an exclusive bancassurance deal. In FY18, income from bancassurance increased four times versus FY17. ACB targets three-fold growth in bancassurance in FY19F. The bank disclosed that it is considering an exclusive bancassurance deal and intends to have an exclusive partner by 2020.

Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	40,005
52w low (VND)	26,003
3m Avg daily volume (shares)	1.9m
3m Avg daily value (VNDmn)	57,386
Market cap (VNDbn)	36,916
Outstanding shares (m)	1,247
Free float (%)	35
TTM P/E (x)	7.2
Current P/B (x)	1.8

Ownership

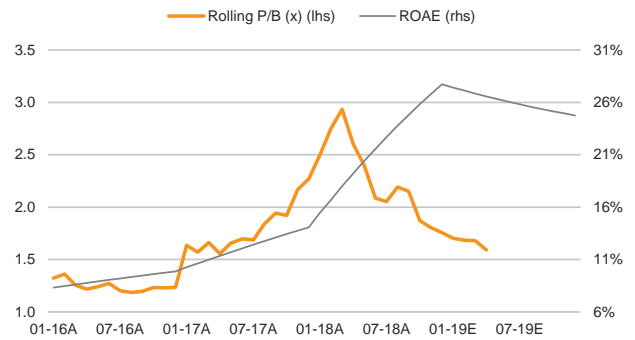
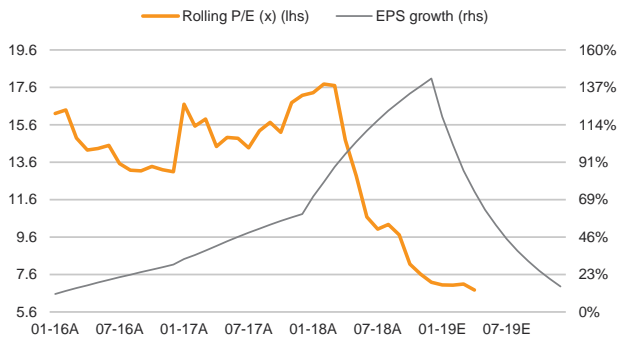
Chairman and related parties	11.3%
Dragon Financial Holdings Limited	6.9%
Alp Asia Finance (Vietnam) Limited	10.0%
Others	71.8%

Source: VNDIRECT

Financial summary (VND)	12-17A	12-18A	12-19E	12-20E
Net interest income (bn)	8,458	10,363	12,206	14,340
Net interest margin	3.4%	3.5%	3.6%	3.7%
Total operating income (bn)	11,439	14,033	16,358	18,862
Total provision charges (bn)	(2,565)	(932)	(1,057)	(1,168)
Net profit (bn)	2,118	5,137	5,937	6,886
Net profit growth	59.8%	142.5%	15.6%	16.0%
Adjusted EPS	1,658	4,022	4,648	5,391
BVPS	12,854	16,853	21,613	27,134
ROAE	14.1%	27.7%	24.8%	22.7%

Source: VNDIRECT

Valuation



Income statement

(VNDbn)	12-18A	12-19E	12-20E
Net interest income	10,363	12,206	14,340
Non interest income	3,670	4,153	4,522
Total operating income	14,033	16,358	18,862
Total operating costs	(6,712)	(7,852)	(9,054)
Pre-provision operating profit	7,321	8,506	9,808
Total provision charges	(932)	(1,057)	(1,168)
Income from associates & JVs			
Net other income			
Pre-tax profit	6,389	7,449	8,640
Tax expense	(1,252)	(1,512)	(1,754)
Profit after tax	5,137	5,937	6,886
Minority interest	0	0	0
Net profit	5,137	5,937	6,886

Balance sheet

(VNDbn)	12-18A	12-19E	12-20E
Gross loans to customers	230,527	265,106	304,872
Loans to banks	18,770	21,585	24,823
Total gross loans	249,297	286,692	329,695
Securities - total	55,015	60,985	70,443
Other interest earning assets	10,684	12,286	14,375
Total gross IEAs	314,995	359,963	414,513
Total provisions	(3,001)	(3,828)	(4,710)
Net loans to customers	227,983	261,784	300,747
Total net IEAs	311,994	356,135	409,803
Cash and deposits	6,129	6,558	7,017
Total investments	403	432	462
Other assets	10,806	11,563	12,372
Total non-IEAs	17,339	18,553	19,851
Total assets	329,333	374,687	429,654
Customer deposits	269,999	307,798	353,968
Cds outstanding	8,291	8,291	8,291
Customer interest-bearing liabilities	278,289	316,089	362,259
Bank deposits	23,792	24,828	25,916
Broad deposits	302,082	340,918	388,175
Other interest-bearing liabilities	198	208	219
Total IBLs	302,280	341,126	388,394
Deferred tax liability			
Other non-interest bearing liabilities	6,035	6,607	7,420
Total non-IBLs	6,035	6,607	7,420
Total liabilities	308,315	347,732	395,813
Share capital	12,886	12,886	12,886
Additional paid-in capital	0	0	0
Treasury shares	(666)	(666)	(666)
Retained earnings reserve	5,105	11,042	17,928
Other reserves	3,693	3,693	3,693
Shareholders' equity	21,018	26,955	33,841
Minority interest	0	0	0
Total equity	21,018	26,955	33,841
Total liabilities & equity	329,333	374,687	429,654

	12-18A	12-19E	12-20E
Growth rate (yoy)			
Cust deposit growth	11.9%	14.0%	15.0%
Gross cust loan growth	16.1%	15.0%	15.0%
Net interest income growth	22.5%	17.8%	17.5%
Pre provision operating profit growth	40.2%	16.2%	15.3%
Net profit growth	142.5%	15.6%	16.0%
Growth in IEAs	16.5%	14.1%	15.1%
Share value			
Basic EPS (VND)	4,119	4,760	5,521
BVPS (VND)	16,853	21,613	27,134
DPS (VND)	0	0	0
EPS growth	142.5%	15.6%	16.0%

Key ratios

	12-18A	12-19E	12-20E
Net interest margin	3.5%	3.6%	3.7%
Cost-income ratio	(47.8%)	(48.0%)	(48.0%)
Reported NPLs / gross cust loans	0.7%	0.8%	0.9%
Reported NPLs / net cust loans	0.7%	0.8%	0.9%
GP charge / average cust loans	0.4%	0.4%	0.4%
Total CAR	11.6%	12.0%	12.5%
Loan deposit ratio	82.8%	83.9%	84.2%
Margins and spreads			
Return on IEAs	8.2%	8.2%	8.3%
Cost of funds	4.8%	4.9%	4.9%
Interest return on average assets	3.4%	3.5%	3.6%
ROAE	27.7%	24.8%	22.7%

Source: VNDIRECT

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Stock Ratings

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.

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