

Vietnam

July 29, 2019 - 4:01 PM

**ADD** (no change)

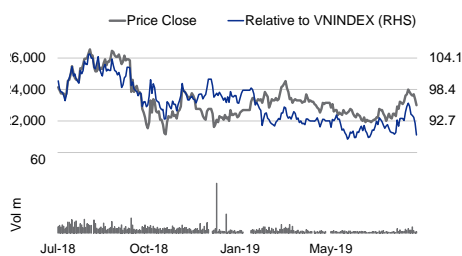
Consensus ratings\*: Buy 9 Hold 2 Sell 0

Current price:	VND23,000
Target price:	VND30,400
Previous target:	VND39,500
Up/downside:	32.2%
CGS-CIMB / Consensus:	-0.1%
Reuters:	ACB.HM
Bloomberg:	ACB VN
Market cap:	US\$1,607m
	VND37,290,236m
Average daily turnover:	US\$1.38m
	VND32,089m
Current shares o/s	1,621m
Free float:	35.0%

\*Source: Bloomberg

Key financial forecasts

	Dec-19F	Dec-20F	Dec-21F
Net Profit (VNDb)	5,937	6,873	7,930
Core EPS (VND)	3,600	4,168	4,809
Core EPS Growth	15.9%	15.8%	15.4%
FD Core P/E (x)	6.39	5.52	4.78
Recurring ROE	24.3%	22.9%	22.1%
P/BV (x)	1.38	1.16	0.97
DPS (VND)	1,000.0	1,000.0	1,000.0
Dividend Yield	4.35%	4.35%	4.35%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	-0.7	-3.4
Relative (%)	-1.6	-2.6	-10.1

Major shareholders

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

Analyst(s)

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# Asia Commercial Joint Stock Bank

## Lower provisions drove 1H net profit growth

- Lower absolute non-performing loans at end-2Q19 vs. end-2Q18 led to a decline in provisions, thereby boosting the bottom line.
- 2Q19 net profit grew 16.3% yoy and 12.2% qoq to VND1,533bn, with NIM staying flat qoq but loan growth accelerating in 2Q19.
- We maintain our Add rating but lower our TP from VND39,500 to VND30,400 to factor in the recent 30% stock dividend paid on 25 Jul 2019.

### 1H19 net interest income (NII) grew 18.5% yoy on higher NIM

- 1H19 net interest margin (NIM) rose 16bp, thanks to a 22bp yoy hike in asset yields, while cost of funds only inched up by 9bp yoy.
- ACB's retail lending expansion improved asset yields, while increasing current account and saving account (CASA) rates from 16.1% at end-2Q18 to 17.4% at end-2Q19 contained the rise in cost of funds.
- By end-2Q19, loan growth was 13.0% yoy, outperforming deposit growth of 8.8% yoy, thereby the pure loan-to-deposit ratio (LDR) increased from 82.8% at end-2Q18 to 86.1% at end-2Q19. A higher LDR ratio is another driver of NIM expansion.
- As of end-2Q19, credit growth was 8.8% vs. end-FY18, whereas the credit growth quota for FY19F is 17% yoy, hence ACB still has room for credit growth in 2H19.

### 1H19 recorded modest growth in non-interest income (Non-II)

- 1H19 non-II grew 1.9% yoy, driven by solid growth in net fee income (+19.4% yoy), while other non-II fell by 12.5% yoy.
- We believe the main reason for a drop in other non-II came from lower income from bad debt recovery. In FY17-18, ACB recovered a sizable amount of legacy debts, which were related to the scandal of the former vice chairman. As a result, the remaining amount to recover reduced, leading to lower bad debt recovery.

### A large drop in 1H19 provision expenses boosted the bottomline

- 1H19 operating expenses increased 27.8% yoy, while total operating income grew 14.3% yoy, as such, pre-provision profit only rose by 3.4% yoy. ACB had VND204bn of provision reversal in 6M18 as the bank recovered legacy receivables, which were booked in operating expenses, while there was no such reversal in 1H19.
- With a well-controlled non-performing loan (NPL) ratio of 0.67% at end-2Q19, lower than the 0.79% at end-2Q18 and 0.69% at end-1Q19, and a high loan-loss reserve of 161.5% at end-2Q19, provision expenses dropped 78.6% yoy, thereby boosting net profit growth to 17.7% yoy.

### 1H19 net profit grew 17.7% yoy, in line with our forecast

- 1H19 net profit reached VND2,899bn, up 17.7% yoy, in line at 49% of our full-year forecast. As such, we maintain an Add rating for ACB and our forecasts are unchanged.
- Our TP is cut from VND39,500 to VND30,400 as ACB paid a 30% stock dividend on 25 July 2019. There was no dilutive effect from this stock dividend.

### Re-rating catalysts and downside risks

- A potential medium-term re-rating catalyst could come from an exclusive bancassurance deal which brings ACB a large one-time agency fee.
- Downside risk could come from higher-than-expected funding costs due to more competition for long-term deposits.

**Figure 1: 1H19 results summary (VND bn unless otherwise noted)**

Profit & Loss statement	2Q19	2Q18	% yoy	1Q19	% qoq	1H19	1H18	% yoy
Net interest income	2,903	2,488	16.7%	2,857	1.6%	5,760	4,861	18.5%
Non-interest income	1,046	717	45.9%	634	65.0%	1,679	1,647	1.9%
Operating revenue	3,949	3,205	23.2%	3,490	13.1%	7,439	6,508	14.3%
Operation expenses	(1,922)	(1,233)	55.9%	(1,799)	6.8%	(3,721)	(2,912)	27.8%
Pre-provision profit	2,026	1,972	2.8%	1,691	19.8%	3,718	3,596	3.4%
Provision expenses	(111)	(311)	-64.3%	16	-809.8%	(95)	(445)	-78.6%
Pre-tax profit	1,915	1,661	15.3%	1,707	12.2%	3,622	3,151	15.0%
Net profit	1,533	1,318	16.3%	1,366	12.2%	2,899	2,462	17.7%

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)	FY19F	FY20F	FY19F	FY20F	%	FY19F	FY20F
China Merchants Bank	3968 HK	ADD	40	45	133,679	1.43	1.25	8.93	7.61	16.7%	17.0%	17.6%
Bank Rakyat Indonesia	BBRI IJ	ADD	4,440	4,500	39,093	2.48	2.20	14.05	12.34	13.9%	18.8%	18.8%
Bank Mandiri	BMRI IJ	ADD	7,750	8,800	25,817	1.74	1.58	12.24	10.64	15.4%	14.9%	15.6%
Indusind Bank	IIB IN	ADD	1,416	2,000	14,239	2.80	2.36	17.02	13.37	34.7%	17.8%	19.1%
Vietcombank	VCB VN	HOLD	81,000	83,200	12,943	3.63	2.99	16.89	14.06	19.1%	20.4%	19.4%
BDO Unibank Inc	BDO PM	ADD	149	150	12,727	1.90	1.72	16.71	14.79	20.4%	12.4%	12.2%
Yes Bank	YES IN	ADD	96	160	3,232	0.80	0.74	12.42	7.86	40.6%	6.6%	9.7%
Techcombank	TCB VN	ADD	20,800	27,400	3,133	1.20	1.02	7.82	6.80	14.6%	16.5%	16.1%
Military JSC Bank	MBB VN	ADD	22,450	34,000	2,044	1.26	1.05	6.35	5.47	19.2%	20.0%	19.7%
Vietnam Prosperity JSC Bank	VPB VN	ADD	18,750	21,200	1,985	1.09	0.90	6.11	4.95	12.1%	19.7%	19.9%
<b>Average regional peers</b>						<b>1.8</b>	<b>1.6</b>	<b>11.9</b>	<b>9.8</b>	<b>20.7%</b>	<b>16.4%</b>	<b>16.8%</b>
Asia Commercial Joint Stock Ban	ACB VN	ADD	23,000	30,400	1,607	1.4	1.2	6.3	5.4	15.7%	24.3%	22.9%

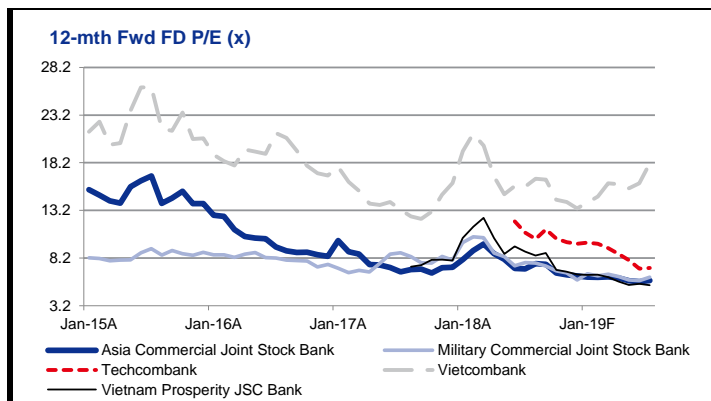
PRICE AS OF 29 JUL 2019

SOURCES: CGS-CIMB RESEARCH, VNDIRECT RESEARCH, COMPANY REPORTS

## BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income	10,363	12,206	14,309	16,537
Total Non-Interest Income	3,670	4,153	4,522	4,662
<b>Operating Revenue</b>	<b>14,033</b>	<b>16,358</b>	<b>18,831</b>	<b>21,199</b>
Total Non-Interest Expenses	(6,712)	(7,852)	(9,039)	(9,964)
<b>Pre-provision Operating Profit</b>	<b>7,321</b>	<b>8,506</b>	<b>9,792</b>	<b>11,236</b>
Total Provision Charges	(932)	(1,057)	(1,168)	(1,285)
<b>Operating Profit After Provisions</b>	<b>6,389</b>	<b>7,449</b>	<b>8,624</b>	<b>9,950</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0
<b>Operating EBIT (incl Associates)</b>	<b>6,389</b>	<b>7,449</b>	<b>8,624</b>	<b>9,950</b>
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>6,389</b>	<b>7,449</b>	<b>8,624</b>	<b>9,950</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>6,389</b>	<b>7,449</b>	<b>8,624</b>	<b>9,950</b>
Taxation	(1,252)	(1,512)	(1,751)	(2,020)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>5,137</b>	<b>5,937</b>	<b>6,873</b>	<b>7,930</b>
Minority Interests	0	0	0	0
Prof. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
<b>Net Profit</b>	<b>5,137</b>	<b>5,937</b>	<b>6,873</b>	<b>7,930</b>
Recurring Net Profit	5,037	5,837	6,757	7,797

Balance Sheet Employment				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	85.4%	86.1%	86.1%	85.4%
Avg Loans/Avg Deposits	83.9%	85.8%	86.1%	85.7%
Avg Liquid Assets/Avg Assets	27.2%	27.3%	27.0%	27.2%
Avg Liquid Assets/Avg IEAs	28.6%	28.4%	28.1%	28.1%
Net Cust Loans/Assets	69.1%	69.7%	70.0%	69.9%
Net Cust Loans/Broad Deposits	76.1%	77.3%	77.9%	77.7%
Equity & Provsns/Gross Cust Loans	10.2%	11.4%	11.9%	12.4%
Asset Risk Weighting	60.0%	66.0%	72.0%	75.0%
Provision Charge/Avg Cust Loans	0.43%	0.43%	0.41%	0.39%
Provision Charge/Avg Assets	0.30%	0.30%	0.29%	0.28%
Total Write Offs/Average Assets	0.30%	0.30%	0.29%	0.28%



Balance Sheet				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Gross Loans	249,297	286,692	329,695	379,150
Liquid Assets & Invst. (Current)	55,015	60,985	69,688	81,434
Other Int. Earning Assets	10,684	12,286	14,375	17,250
<b>Total Gross Int. Earning Assets</b>	<b>314,995</b>	<b>359,963</b>	<b>413,758</b>	<b>477,833</b>
Total Provisions/Loan Loss Reserve	(3,001)	(3,828)	(4,703)	(5,765)
<b>Total Net Interest Earning Assets</b>	<b>311,994</b>	<b>356,135</b>	<b>409,055</b>	<b>472,068</b>
Intangible Assets	593	634	679	726
Other Non-Interest Earning Assets	10,617	11,360	12,155	13,006
<b>Total Non-Interest Earning Assets</b>	<b>11,210</b>	<b>11,994</b>	<b>12,834</b>	<b>13,732</b>
<b>Cash And Marketable Securities</b>	<b>6,129</b>	<b>6,558</b>	<b>7,017</b>	<b>7,508</b>
Long-term Investments	0	0	0	0
<b>Total Assets</b>	<b>329,333</b>	<b>374,687</b>	<b>428,906</b>	<b>493,309</b>
Customer Interest-Bearing Liabilities	278,289	316,089	362,259	418,894
Bank Deposits	20,718	21,754	22,842	24,669
Interest Bearing Liabilities: Others	3,272	3,282	3,293	3,304
<b>Total Interest-Bearing Liabilities</b>	<b>302,280</b>	<b>341,126</b>	<b>388,394</b>	<b>446,867</b>
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	6,035	6,607	8,347	8,009
<b>Total Liabilities</b>	<b>308,315</b>	<b>347,732</b>	<b>396,741</b>	<b>454,876</b>
<b>Shareholders' Equity</b>	<b>21,018</b>	<b>26,955</b>	<b>32,165</b>	<b>38,433</b>
Minority Interests	0	0	0	0
<b>Total Equity</b>	<b>21,018</b>	<b>26,955</b>	<b>32,165</b>	<b>38,433</b>

Key Ratios				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	22.7%	16.6%	15.1%	12.6%
Operating Profit Growth	40.2%	16.2%	15.1%	14.7%
Pretax Profit Growth	141%	17%	16%	15%
Net Interest To Total Income	73.8%	74.6%	76.0%	78.0%
Cost Of Funds	4.82%	4.85%	4.88%	4.90%
Return On Interest Earning Assets	8.21%	8.24%	8.30%	8.30%
Net Interest Spread	3.38%	3.39%	3.42%	3.40%
Net Interest Margin (Avg Deposits)	4.05%	4.22%	4.32%	4.33%
Net Interest Margin (Avg RWA)	5.20%	5.49%	5.15%	4.87%
Provisions to Pre Prov. Operating Profit	12.7%	12.4%	11.9%	11.4%
Interest Return On Average Assets	3.38%	3.47%	3.56%	3.59%
Effective Tax Rate	19.6%	20.3%	20.3%	20.3%
Net Dividend Payout Ratio	NA	27.3%	23.6%	20.4%
Return On Average Assets	1.67%	1.69%	1.71%	1.72%

Key Drivers				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Loan Growth (%)	16.1%	15.0%	15.0%	15.0%
Net Interest Margin (%)	3.5%	3.6%	3.7%	3.7%
Non Interest Income Growth (%)	23.1%	13.1%	8.9%	3.1%
Cost-income Ratio (%)	47.8%	48.0%	48.0%	47.0%
Net NPL Ratio (%)	0.4%	0.3%	0.2%	0.2%
Loan Loss Reserve (%)	145.6%	153.4%	153.7%	155.1%
GP Ratio (%)	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	10.4%	10.7%	10.3%	10.3%
Total CAR (%)	12.8%	12.7%	12.0%	11.8%
Deposit Growth (%)	11.9%	14.0%	15.0%	16.0%
Loan-deposit Ratio (%)	84.3%	84.9%	84.8%	84.0%
Gross NPL Ratio (%)	0.7%	0.8%	0.9%	0.9%
Fee Income Growth (%)	26.0%	26.0%	23.0%	18.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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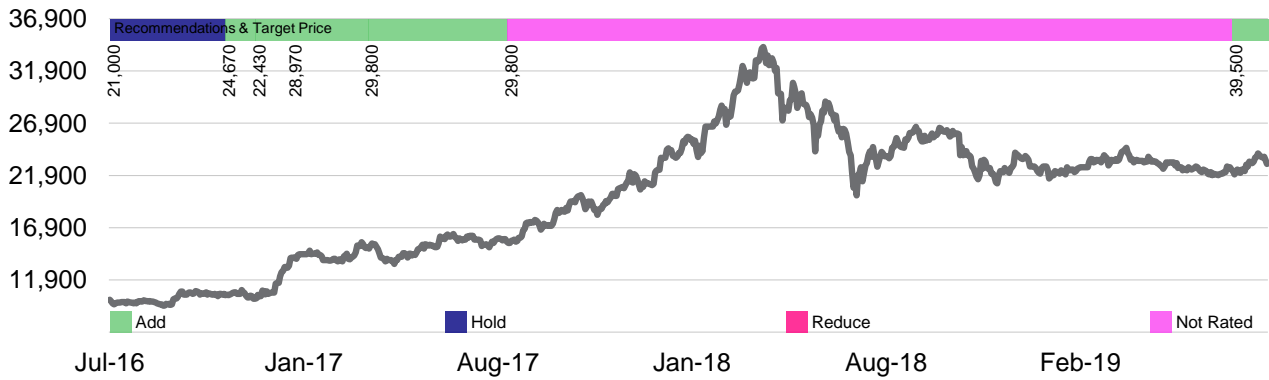


Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2019		
791 companies under coverage for quarter ended on 30 June 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%

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 2018, Anti-Corruption 2018

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **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, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – 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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