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Banking

HNX – Vietnam

## ACB tumbled as the Vice Founder Chairman Mr. Nguyễn Đức Kiên arrested

### Underweight

Price (2012/08/28): VND 19,000

Target Price : VND 18,000

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#### Key Data

Chartered capital (VND bn)	9,376.695
Outstanding shares (mil shares)	935.850
52-week price range (VND)	13,000-27,800
Market cap (VND bn)	20,347
Total assets (1H/12) (VND trillion)	255.8
Net Value (1H/12) (VND bn)	13,149
(QFII) Total Room (mil shares)	280.755
(QFII) Current Room (mil shares)	0
Foreign Holding (%)	30%
EPS 2012E (VND)	3,207
P/E	5.9
P/B	1.41
Cash dividend % (Face Value)	7%
Dividend yield (%) (Dividend/Market price)	3.23%
ROE 2012E (%)	23.94%
ROA 2012E (%)	0.99%

\* The holding cap for foreign strategic investors is 30%.

#### Price changes in 3M



Price change	3M	6M	12M
Absolute	+0.3	+2.7	+6.9
Percentage (%)	+1.2	+11.6	+36.3

• ACB stock price was hit as the Founder Mr. Nguyễn Đức Kiên was arrested on Aug 22, 2012. This information immediately punched the stock price of ACB and EIB to floor and arose a contagion in stock market. In considering of the impact, we downgrade ACB's prospect and low its target price to VND 18,000.

• ACB quickly responded to this scandal, the bank kept reiterating that Mr. Kiên now only hold less than 5% of ACB's total stake and is not member of BOD and BOM.

• **Chilly Business Environment:** Credited to its superior operating performance, ACB is allowed by SBV to enjoy an annual 17% credit growth rate. However, the bank's merely 0.9% credit growth in 1H 2012 had become a staggering contrast to this quota. Echoing to the 0.84% average growth rate of all banking sector, ACB's low credit expansion proved that how tough the banking sector is in expanding their business and how difficult enterprises acquire credit capital under current economic situation.

• **1H12 Earning Performance:** ACB's interest revenue hiked 22% YoY to VND 3,733.9 bn in 1H while the service income declined 9.5% YoY to VND 303.4bn. Forex and gold business lost VND 106.78bn and the securities investment business dropped to VND 7.4 bn in comparison to VND 91bn. The business expense raised 27.34 % to VND 1,810.8 bn YoY along with risk provision spiralling up 42% to VND 303.3bn. EBIT and Net Profit were VND 2,115 bn and VND 1,612bn respectively, only achieved 38% of 2012's earning target.

• The arrest of the tycoon in banking sector arose a tremendous panic in financial market and had ACB suffered from the incessant Bank-Run. The total withdrawal amount, based on the press released by BOM of ACB, counted 10% of ACB's total asset (around VND 25,000bn) till Aug. 27. To cope with this present danger, State Bank of Vietnam provided ACB unlimited fund to serve all customers' demand and prevent the financial market from the suffocating liquidity tightening and its severe consequence. ACB itself also raised the deposit rate to 12% for the deposit over VND 100mn to try to regain customers' loyalty.

• **Target price is cut:** Although the amount ACB lent to Mr. Kiên and his companies is not disclosed, the impact definitely will lower ACB's profit forecast in 2012 by escalating the financial provision. Not mention the side effects of hiking the interest rate, a 3% additional premium for its borrowing cost to lure the depositors to stay. We think ACB probably miss the 2012 revenue (VND 5,500 bn or 38% annual growth) and net profit target (lower 6.27% this year). In considering of incoming impact from the event, we decide to downgrade ACB's rating with the target price of VND 18,000, implying 5.61X in P/E Ratio.

(VND mn)

Year	Revenue	(%)	Net Profit	(%)	Outstanding Shares	EPS (VND)	P/E (x)	ROE	ROA
2010	16,290,890	36.98%	2,334,794	20.00%	781,413,755	2,861	9.75	20.09%	1.14%
2011	27,025,890	65.90%	3,207,841	10.00%	937,669,470	3,280	8.51	24.00%	1.14%
2012E	35,133,657	30.00%	3,006,735	-6.27%	937,669,470	3,207	5.61	23.94%	0.99%
2013E	43,917,071	25.00%	3,472,749	15.50%	937,669,470	3,704	6.21	25.14%	1.06%

**Financial Statement Projections (VND million)**

Income statement	2010	2011	2012e	2013e	Financial ratios	2010	2011	2012e	2013e
<b>Interest and similar income</b>	14,960,336	25,460,937	28,516,249	31,367,874	<b>Valuation</b>				
<b>Interest expense and similar charges</b>	10,796,566	18,853,380	21,304,319	23,434,751	<b>P/E</b>	8.7	6.34	5.6	6.2
<b>Net Interest income</b>	4,163,770	6,607,558	7,211,930	7,933,123	<b>P/B</b>	0.94	2.34	1.34	1.49
<b>Net service income</b>	826,440	825,532	924,596	1,063,285	<b>Book value</b>	14,624	12,748	13,386	14,725
<b>Net gain/loss from dealing in foreign currencies and gold</b>	191,104	-161,467	-188,916	-217,254	<b>Profitability</b>				
<b>Net gain/loss from dealing of trading securities</b>	-19,249	70,924	65,321	71,853	<b>Gross Margin</b>	36.70%	30.00%	35.13%	30.04%
<b>Other income</b>	176,794	203,147	233,619	254,645	<b>Operating Margin</b>	22.30%	17.10%	15.46%	16.16%
<b>Other expenses</b>	126,824	204,328	250,615	275,677	<b>Before Tax Profit</b>	20.70%	16.50%	-4.61%	15.50%
<b>Net gain/loss from disposal of investment securities</b>	91,030	82,523	86,649	92,715	<b>Net Profit</b>	15.60%	12.60%	10.45%	10.97%
<b>Other profit</b>	49,970	-1,181	150,214	172,746	<b>Nim</b>	2.56%	3.44%	3.56%	3.50%
<b>Income from investment in other entities</b>	186,613	222,646	260,496	299,570	<b>ROA</b>	1.30%	1.80%	0.99%	1.06%
<b>General &amp; administrative expenses</b>	2,160,020	3,147,466	3,776,959	4,343,503	<b>ROE</b>	21.70%	37.00%	23.94%	25.14%
<b>Operating profit before provision for credit losses</b>	3,329,658	4,499,069	4,409,088	5,070,451	<b>Leverage</b>				
<b>Provision for credit losses</b>	227,410	296,376	400,108	440,118	<b>Assets / Equity</b>	18.3	23.86	24.18	23.81
<b>Total profit before tax</b>	3,102,248	4,202,693	4,008,980	4,630,332	<b>Debt / Assets</b>	0.93	0.96	0.96	0.97
<b>Current corporate income tax expenses</b>	767,454	994,852	1,002,245	1,157,583	<b>Debt / Equity</b>	17.03	22.50	23.14	23.14
<b>Net profit after tax</b>	2,334,794	3,207,841	3,006,735	3,472,749	<b>Efficiency</b>				
<b>Balance sheet</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>	<b>Fixed asset turnover</b>	15.52	24.14	20.05	18.69
<b>A - ASSETS</b>					<b>Growth</b>				
<b>I. Cash and precious metals</b>	10,884,762	8,709,990	9,406,789	10,347,468	<b>Revenue</b>	55.60%	70.20%	12.00%	10.00%
<b>II. Deposits with the State Bank of Vietnam</b>	2,914,353	5,075,817	4,974,301	5,223,016	<b>Net Profit</b>	6.10%	37.40%	-6.27%	15.50%
<b>III. Deposits at other credit institutions</b>	33,961,250	81,274,021	82,899,501	85,386,486	<b>Total Assets</b>	22.20%	-30.70%	8.02%	8.33%
<b>IV. Trading securities</b>	978,355	850,459	892,982	937,631	<b>Total Equity</b>	12.60%	-47.60%	5.00%	10.00%
<b>V. Derivatives and other financial assets</b>	78,172	1,016,447	1,118,092	1,173,996	<b>Cash Flows / Revenue</b>				
<b>VI. Loans to customers</b>	86,478,408	101,822,720	114,041,446	123,164,762	<b>CFO</b>	9.60%	76.50%	78.51%	79.94%
<b>VII. Investment securities</b>	48,202,271	26,159,198	28,251,934	31,077,127	<b>CFI</b>	-15.20%	-3.10%	-0.88%	0.89%
<b>VIII. Investments in other entities and other long-term investments</b>	3,004,008	3,554,001	4,087,101	4,904,521	<b>CFF</b>	-6.30%	-2.60%	-4.95%	-5.17%
<b>IX. Fixed assets</b>	1,054,702	1,236,987	1,422,535	1,678,591	<b>Net Cash Flows</b>	-11.80%	70.80%	72.69%	75.66%
<b>X. Other assets</b>	17,546,669	51,389,807	56,528,788	65,008,106	<b>Security ratio</b>				
<b>TOTAL ASSETS</b>	205,102,950	281,089,447	303,623,469	328,901,706	<b>Net loans/ total deposit</b>	81.54%	72.29%	82.00%	85.00%
<b>B - LIABILITIES &amp; OWNERS' EQUITY</b>					<b>NPLs/Gross Loans</b>	0.27%	0.30%	0.25%	0.25%
<b>I. Liabilities</b>	193,726,194	269,060,227	290,585,045	319,643,550	<b>CAR</b>	9%	9.25%	9%	10%
<b>II. Owners' Equity</b>	11,376,757	11,959,092	12,557,047	13,812,751	<b>DuPont Analysis (ROE Breakdown=1x2x3)</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>
<b>III. Benefits of minority shareholders</b>	-	-	-	-	<b>Net profit margin (1)</b>	15.61%	12.60%	10.54%	11.07%
<b>TOTAL RESOURCES</b>	205,102,951	281,019,319	303,142,092	333,456,301	<b>Total assets turnover (2)</b>	0.07	0.09	0.10	0.10
<b>Cash flow</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>	<b>Leverage (3)</b>	18.03	23.50	24.18	23.81
<b>I. Net cash flows from operating activities</b>	1,440,787	19,468,311	22,388,558	25,075,185	<b>ROE</b>	21.02%	27.27%	24.36%	25.59%
<b>II. Net Cash flows from investing activities</b>	-2,275,468	-778,527	-250,234	280,262					
<b>III. Net Cash flows from financing activities</b>	-937,697	-656,387	-1,411,232	-1,622,917					
<b>Net cash flows in the period</b>	-1,772,378	18,033,397	20,727,092	23,732,530					
<b>Cash and cash equivalents at beginning of period</b>	40,311,007	38,310,886	58,475,598	67,246,938					
<b>Cash and cash equivalents at end of period</b>	38,310,886	58,475,598	67,246,938	80,696,325					

Source: ACB financial statement and PHS's estimates

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