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Banking

HNX – Vietnam

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

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

Source: ACB financial statement and PHS's estimates

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