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Recommendation

TRACKING

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Target price	32,686
Closing price	30,400
Upside	7.5%

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Target price	35,000
Cut loss price	29,000

STABLE GROWTH

Valuation

We recommend TRACKING with ACB stock with a target price of VND 32,686/share, upside 7.5% with P/B method = 1.8x (current industry average = 1.6x). We apply P/B = 1.8x because ACB is a good stock with high profitability, a good choice to invest in bank stocks and actively recovering debt of G6 group in 2019.

Market data

Number of shares (stock)	1,247
Capitalization (billion VND)	37,789
Highest price 52 weeks	51,700
The average trading volume of 10 sessions (shares)	2,667,834
Foreign ownership	30%

Forecast of business results 2019.

BSC forecasts that ACB will record TOI and PBT respectively at VND 5,464 billion (+ 12% yoy) and VND 1,393 billion (+ 14.8% yoy) assuming (1) credit growth of 14%, (2) NPL = 1.42%, bad debt coverage ratio = 100%, (3) NIM slightly decreased, down to 3.08%, (4) CIR = 62%, (5) social work expenses at VND 550 billion.

Major shareholders (%)

Dragon Financial Holding Ltd	6.87%
Standard Chartered Bank	4.98%
Estes investment Ltd	4.38%
Sather Gate Investment Ltd	3.97%
Whistler Investments Ltd	3.97%

Catalyst

(1) Boosting debt recovery of G6 group. (In 2018, VND 1,800 billion was collected).

Investment Risk

(1) The pressure of growth raises the NPL, (2) conflict of interests among major shareholders.

Price movements



Company overview: ACB is currently a bank that is highly appreciated for asset quality (having made provision for G6 and VAMC groups).

Business update (Refer to page 2 for details)

2018 business results. In 2018, ACB recorded TOI and PBT at VND 14,033 billion (+ 22.7% yoy) and VND 6,389 billion (+ 141% yoy).

Net interest income + 22.53% yoy (accounting for 74% TOI) due to (1) credit growth in 2018 reached 15.04%, customer loans + 15.14% yoy, mobilization + 11.9% yoy, (2) NIM 2018 = 3.55% (+11 bps).

Non-interest income increased sharply. Net profit from service activities + 26.02% yoy, other income increased sharply to VND 1,815 billion (+ 104% yoy).

Improved asset quality. NPL = 0.73% (industry average of 1.65%). The ratio of bad debt by the end of 2018 reached 152%, higher than the current industry average (79.68%)..

Business update

2018 business results. In 2018, ACB recorded TOI and PBT at VND 14,033 billion (+ 22.7% yoy) and VND 6,389 billion (+ 141% yoy), ROAA = 1.67%, ROAE = 27.73% (industry average ROAA = 1.39%, ROAE = 19.84%).

Net interest income + 22.53% yoy (accounting for 74% TOI) because (1) credit growth in 2018 reached 15.04%, customer loans + 15.14% yoy, mobilized + 11.9% yoy, (2) NIM 2018 = 3.55% (+11 bps), equivalent to the current industry average NIM = 3.53% thanks to increasing the proportion of shares to 16.7% of deposits (same period 15.8%) and the increase in retail lending proportion. In 2019, BSC expects ACB's credit growth will reach 14%, equivalent to 2018. ACB's NIM in 2019, according to BSC, is expected to fall slightly due to the increase in deposit rates this year.

Non-interest income increased sharply, accounting for 25% of TOI structure. Net profit from service activities + 26.02% yoy, other income increased sharply to VND 1,815 billion (+ 104% yoy) from recovering a part of bad debt from G6 and other bad debts.

Improved asset quality. NPL = 0.73% (industry average of 1.65%), now that the company has set up all VAMC debt and G6 debt in 2017, making provision expense plummeted -64% yoy. Bad debt coverage as of the end of 2018 reached 152%, higher than the current industry average (79.68%).

Forecast for 2019. BSC forecasts that in 2019, ACB will record TOI and PBT at VND 15,968 billion (+ 13.8% yoy) and VND 7,206 billion (+ 12.8% yoy) with the assumption (1) credit growth = 14 % in 2019, lending + 13.03% yoy, mobilization + 11.22% yoy, LDR = 80%, (2) NIM = 3.49%, down slightly from 3.55% in 2018 due to the trend of raising deposit rates , (3) NPL = 0.73%, bad debt ratio = 160%, (4) recovery of non-performing loans is VND 2,000 billion. Currently, ACB is being traded with P/E = 7.36x, P/B = 1.86x, higher than the current industry average of 1.6x.

Asia Commercial Bank (ACB)

Technical analysis

ACB_Sideway

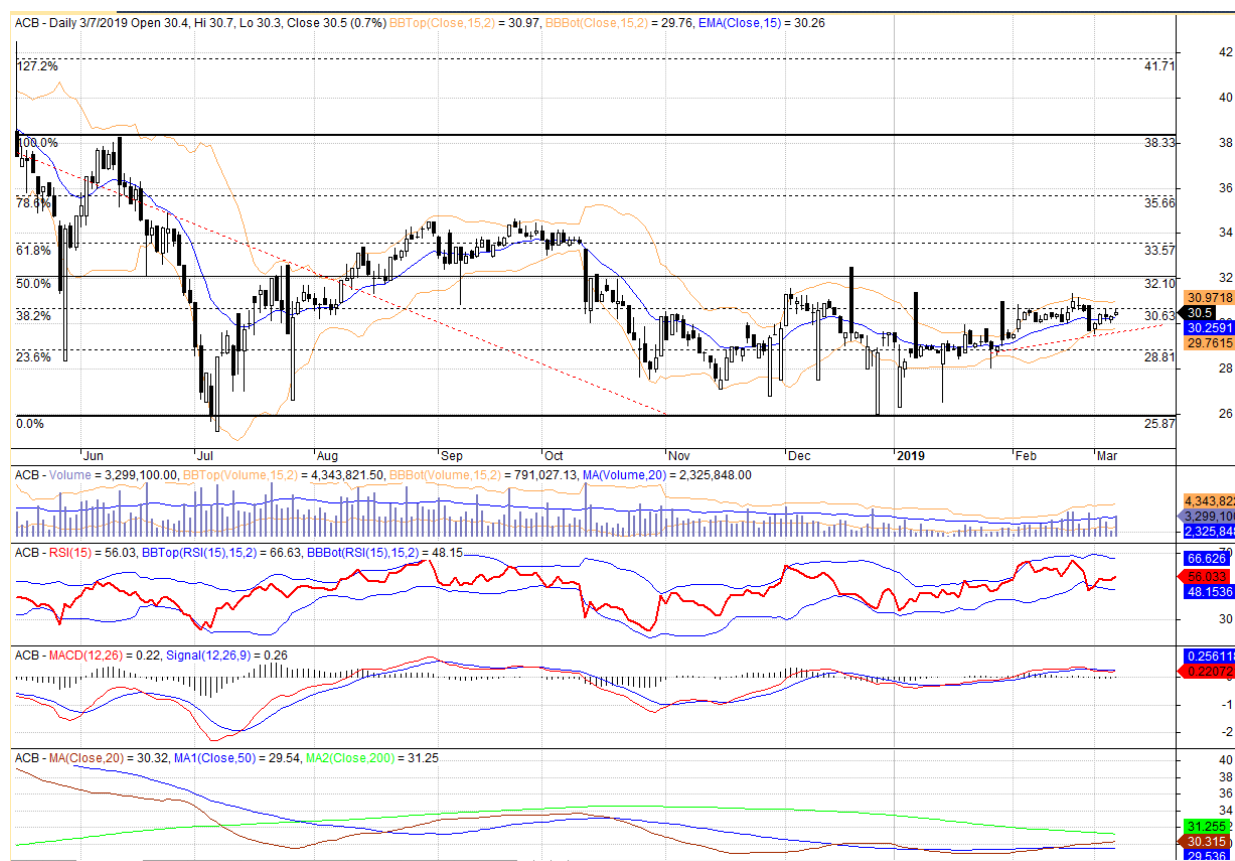
Technical highlights:

- Current trend: Mid-term accumulation
- MACD trend indicator: Convergence, above level 0
- RSI indicator: Neutral

Outlook: ACB after a relatively good recovery period is accumulating at the mid-term price zone 30. With the current indicators and markets, the possibility that ACB will continue to accumulate at the price range of 30 in the short term is relatively large..

Recommendations: Watch and buy if exceeding the resistance above 31 with good liquidity with the nearest target at the price zone of 35.

Technical chart of ACB



Source: Amibroker, BSC

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Appendix 01: Overview of ACB

	2014	2015	2016	2017	2018	2019
SCALE						
Charter capital (billion VND)	9,377	9,377	9,377	10,273	12,886	14,174
Equity (billion VND)	12,397	12,788	14,063	16,031	21,018	25,740
Total assets (billion VND)	179,610	201,457	233,681	284,316	329,333	366,812
Equity/Total assets	6.90%	6.35%	6.02%	5.64%	6.38%	7.02%
GROWTH (YOY)						
Asset growth	7.81%	12.16%	16.00%	21.67%	15.83%	11.38%
Lending growth	8.52%	16.35%	20.73%	21.49%	16.13%	13.03%
Deposit growth	11.95%	13.13%	18.37%	16.59%	11.85%	11.22%
CASA/mobilization	13.28%	15.21%	15.40%	15.82%	16.67%	17.99%
Loans/deposits	75.24%	77.38%	78.92%	82.24%	85.38%	86.77%
ASSET QUALITY						
NPL ratio	2.18%	1.31%	0.87%	0.70%	0.73%	0.73%
NPL ratio includes debt sold to VAMC	3.04%	2.39%	1.51%	0.71%	0.73%	0.73%
Provision for bad debts/Total outstanding loans	1.36%	1.14%	1.10%	0.93%	1.11%	1.17%
Bad debt ratio/Total bad debt	62.32%	87.02%	126.49%	132.74%	151.89%	160.00%
Real interest income/Interest income (ytd)	103.18%	103.24%	97.86%	98.39%	100.50%	100.50%
Interest and fees receivable/loan	2.80%	2.07%	1.98%	1.80%	1.51%	1.50%
Doubtful property	16,513	14,145	12,523	9,999	9,631	10,370
% Total asset	9%	7%	5%	4%	3%	3%
% Equity	133%	111%	89%	62%	46%	40%
BUSINESS EFFICIENCY (YOY)						
% Net interest income	80.52%	94.59%	91.13%	73.94%	73.85%	72.87%
Net profit before credit risk provision (VND billion)	2,095	2,199	2,885	5,222	7,321	8,303
% yoy	10.82%	4.96%	31.20%	81.01%	40.21%	13.42%
Provision expenses for credit risk (VND billion)	879	884	1,218	2,565	932	1,097
% to pre-provision profit		40.23%	42.21%	49.13%	12.74%	13.21%
Profit after tax (billion VND)	952	1,028	1,325	2,118	5,137	5,765
% yoy	15%	8%	29%	60%	143%	12%
NIM (TTM)	3.01%	3.33%	3.36%	3.44%	3.55%	3.49%
CIR (TTM)	64.61%	64.65%	61.86%	54.35%	47.83%	48.00%
ROA (TTM)	0.55%	0.54%	0.61%	0.82%	1.67%	1.66%
ROE (TTM)	7.64%	8.17%	9.87%	14.08%	27.73%	24.66%
EPS (VND/share) (TTM)	1,015	1,086	1,360	2,042	3,870	3,948
Diluted EPS (TTM)	1,015	1,086	1,360	2,042	3,870	3,948
Book value (VND/share)	13,221	13,637	14,997	15,604	16,311	18,159

Source: BSC research

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Appendix 02: Overview of listed banks 2018

	MBB	CTG	VCB	BID	STB	TCB	VPB	ACB	HDB	LPB	TPB	VIB
Scale												
Charter capital (billion VND)	21,605	37,234	35,978	34,187	18,852	34,966	25,300	12,886	9,810	7,500	8,566	7,835
Equity (billion VND)	34,173	67,469	63,889	54,693	24,632	51,783	34,750	21,018	16,828	10,201	10,642	10,667
Total assets (billion VND)	362,361	1,164,318	1,072,983	1,313,038	406,041	321,049	323,308	329,333	216,107	175,095	136,179	139,000
Equity/Total assets	9.43%	5.79%	5.95%	4.17%	6.07%	16.13%	10.75%	6.38%	7.79%	5.83%	7.81%	7.67%
Growth (ytd)												
Asset growth	15.45%	6.32%	3.64%	9.21%	10.20%	19.18%	16.40%	15.83%	14.14%	7.13%	9.72%	12.86%
Lending growth	16.16%	8.89%	16.26%	14.12%	14.94%	-0.89%	21.38%	15.92%	17.86%	18.43%	21.59%	20.71%
Deposit growth	8.99%	9.68%	13.23%	15.08%	9.17%	17.84%	27.93%	11.85%	6.24%	-2.59%	8.31%	24.11%
CASA	33.48%	15.02%	28.27%	16.35%	14.85%	27.14%	13.25%	16.67%	8.35%	18.18%	18.16%	14.29%
Loans/deposits	88.13%	103.16%	77.58%	98.65%	72.48%	78.20%	127.53%	84.44%	95.11%	94.21%	100.21%	112.25%
Asset quality												
NPL ratio	1.34%	1.59%	1.00%	1.71%	2.14%	1.78%	3.56%	0.73%	1.55%	1.43%	1.13%	2.54%
NPL ratio includes debt sold to VAMC	1.34%	1.59%	1.00%	1.71%	2.14%	1.78%	3.56%	0.73%	1.55%	1.43%	1.13%	2.54%
Provision for bad debts/Total outstanding debt	1.52%	1.53%	1.65%	1.27%	1.39%	1.51%	1.64%	1.12%	1.10%	1.26%	1.17%	0.92%
Bad debt ratio/Total bad debt	113%	96%	165%	74%	65%	85%	46%	152%	71%	88.25%	103%	36%
Interest and fees receivable/loan	1.33%	1.86%	1.40%	2.12%	2.35%	2.17%	2.42%	1.50%	2.58%	3.46%	1.76%	1.53%
Business efficiency (ytd)												
% Net interest income	74.64%	78.34%	72.31%	78.57%	65.37%	60.64%	79.46%	73.85%	80.99%	102.89%	77.80%	79.78%
Net profit before credit risk provision (VND billion)	10,805	14,490	25,679	28,366	3,839	12,507	20,452	7,321	4,999	1,831	2,780	3,362
% yoy	37.33%	-17.44%	46.40%	20.64%	66.31%	7.40%	26.78%	40.21%	45.59%	-20.02%	66.66%	91.57%
Provision expenses for credit risk (VND billion)	(3,038)	(7,748)	(7,379)	(18,894)	(1,592)	(1,846)	(11,253)	(932)	(994)	(618)	(522)	(620)
% to pre-provision profit	28.11%	53.47%	28.73%	66.61%	41.47%	14.76%	55.02%	12.74%	19.89%	33.77%	18.79%	18.46%
Profit after tax (billion VND)	6,190	5,428	14,658	7,542	1,790	8,474	7,356	5,137	3,202	960	1,805	2,193
% yoy	77.34%	-27.23%	60.89%	8.58%	51.51%	31.47%	14.20%	142.53%	63.81%	-29.83%	87.29%	95.09%
NIM (TTM)	4.56%	2.08%	2.78%	2.98%	2.34%	4.13%	8.81%	3.56%	4.05%	3.50%	3.69%	3.79%
CIR (TTM)	44.70%	49.59%	34.64%	36.24%	67.12%	31.84%	34.21%	47.83%	47.05%	62.47%	50.59%	44.45%
ROA (TTM)	1.83%	0.48%	1.39%	0.61%	0.46%	2.87%	2.45%	1.67%	1.58%	0.93%	1.39%	1.67%
ROE (TTM)	19.41%	8.27%	25.18%	14.52%	7.48%	21.53%	22.83%	27.73%	20.27%	15.92%	20.84%	22.55%
Diluted EPS (TTM)	2,865	1,456	4,070	2,152	950	2,420	2,907	3,987	2,897	1,280	2,107	2,800
Book value (VND/share)	15,109	18,040	17,739	15,109	13,066	14,790	13,735	16,311	15,938	13,601	12,424	13,615
Valuation												
P/E	7.71	14.49	14.69	15.10	13.69	11.38	7.45	7.63	10.77	7.03	10.11	6.32
P/B	1.46	1.17	3.37	2.15	0.99	1.86	1.58	1.86	1.96	0.66	1.71	1.30

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**Disclosure**

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