

Price chart



Source: HSC

Stock Data as of August 11st 2010

Price (VND)	28,700
Current listed share	777,975,325
Outstanding shares	781,413,777
52 Week high	46,140
52 week low	28,700
Price change (3 months)	-14.1%
Price change (6 months)	-14.8%
Price change (12 months)	-35.4%
Trading volume (share)	534,600
Trading value (VNDmil)	15,279
Marketcapitalization (VNDmil)	22,426,575
Marketcapitalization (US\$mil)	1,176.01
Total room (no. of share)	234,417,368
Current room (no. of share)	0
Foreign owned ratio (%)	30.0%
Foreign ownership limit (%)	30.0%

Source: HSC

Unit: VNDmillion

Key numbers	2008	2009
Asset growth	23.3%	59.4%
Loan growth	9.5%	79.0%
Deposit growth	16.2%	35.4%
Size	2008	2009
No. of branches and sub-branches	192	237
No. of employees	6,598	6,669

Source: ACB, HSC

Analyst

Nguyen Thi Tam Hanh
(84 8) 3 8233299
hanh.ntt@hsc.com.vn

Earnings & Valuation

VNDmillion	FY2007	FY2008	FY2009	FY2010F	FY2011F	FY2012F	FY2013F
Total Assets	85,391,681	105,306,130	167,881,047	177,085,694	214,418,311	259,554,887	317,004,725
Total outstanding loans	31,676,320	34,604,077	61,855,984	81,117,456	104,858,292	135,732,533	176,452,293
Customer deposits	55,283,104	64,216,949	86,919,196	106,910,611	133,638,264	171,056,978	218,952,931
Bonds and CDS	11,688,796	16,755,825	26,582,588	29,240,847	32,164,931	35,381,425	38,919,567
Total equity	6,257,849	7,766,468	10,106,287	10,332,076	10,833,416	11,636,076	12,797,783
Pretax profit	1,760,008	2,210,682	2,201,204	2,259,304	2,544,875	2,876,194	3,265,242
Asset growth	91%	23%	59%	5%	21%	21%	22%
Loans growth	87%	9%	79%	31%	29%	29%	30%
Deposit growth	90%	21%	40%	20%	22%	25%	25%
Capital growth	269%	24%	30%	2%	5%	7%	10%
Pretax profit growth	233%	20%	11%	6%	13%	13%	14%
VALUATION	FY2007	FY2008	FY2009	FY2010F	FY2011F	FY2012F	FY2013F
Outstanding shares	217,830,877	567,512,941	713,905,395	781,413,777	781,413,777	781,413,777	781,413,777
Diluted EPS	7,875	3,723	2,951	2,767	3,117	3,522	3,999
EPS growth	97%	-19%	-28%	-12%	13%	13%	14%
Book value	23,639	12,142	12,872	15,643	18,786	22,289	26,275
P/B at the current price	-	-	2.30	1.89	1.58	1.33	1.13
P/B at year-end prices	6.9	2.3	2.9				
P/E at the current price	-	-	10.0	10.7	9.5	8.4	7.4
P/E at year-end prices	20.8	7.5	12.6				
Market capitalization	23,129,848						

Source: ACB reports; (F) HSC forecasts

Asia Commercial Bank (ACB - HNX) - 1H performance & FY2010 outlook. Below targets and deposit growth engine slows.

- ACB's 1-H performance came in under target but this has been expected given the fact that performance across almost all of their core businesses has been sluggish.
- Most worrying perhaps has been the slow growth in deposits in the 1-H; traditionally their engine of growth. Aside from that; tepid growth in credit income and the absence of their traditional gold related income stream has affected earnings across several divisions.
- Based on our assumptions, we forecast the bank will achieve FY2010 pretax profit of VND3,012 billion (+6% y/y). Given our forecast, this would generate an adjusted EPS of VND2,767 and a BVPS of VND15,643. The shares are now trading at a forward P/E of 10xs and P/B of 1.9xs.
- As the foreign room is full ACB has not been actively traded for quite some time but of course its still the best private sector bank in Vietnam in our opinion.
- Even so they face some challenges to return to normal growth rates from next year and need to find a new income stream to replace gold.
- For long term investors, as shares become available over the next few months its worth taking a look as we expect further weakness.

- 27.8% y/y) in 1-H FY2010. This is an un-audited figure and included FY 2009 dividend income totaling VND290 billion from their subsidiaries. Actually, this amount was already recorded on their FY2009 consolidated performance so it won't appear on their consolidated income statement for 1-H FY2010. And if we exclude this amount, ACB would have only earned a pretax profit of VND1,285 billion (+3.8% y/y) at the parent level in 1-HFY2010.
- According to our estimates, they are likely to achieve a consolidated pretax profit of VND1,350 billion (+1% y/y) in 1-H FY2010, accounting for 37.5% of their full year target in FY2010. The performance is driven by loan growth of 16% YTD and deposit growth of 9% YTD in 1-H FY2010. Because the bank closed the gold trading accounts in response to the SBV ruling prohibiting offshore gold trading accounts, their other assets declined by VND13,474 billion. As a result, total assets remained expanded by just 4% YTD in 1-H FY2010 while total earning assets accelerated 17% YTD in 1-H FY2010.
- Loan and deposit growth of 16% YTD and 9% YTD in 1-H FY2010 compares to loan and deposit growth of 46% and 41% YTD, respectively seen in 1-H FY2009. In addition, most of the loan growth occurred in Q2 FY2010 as the loan book actually contracted by 6% q/q in Q1 FY2010. Then like some other banks we saw a sudden spurt in loan growth in Q2 FY2010 due to volatility in the gold market which created some opportunities for speculators.
- International gold prices increased by 7.8% to US\$1,251/oz by June 28th from US\$1,161/oz on May 05th. More importantly domestic prices traded at a slight discount to international prices for much of this time. Apart from the normal investment scenarios this also created some interesting if unusual arbitrage opportunities for speculators (it's actually a lot easier to speculate when domestic prices are at a premium). In this scenario an investor could borrow in VND to buy gold) or even borrow for exports until the gap would close. Which indeed it did at the beginning of July when domestic prices went to a premium. We further note that ACB's loan book expanded quite rapidly in May and June and we suspect a lot of it was related to gold speculation. If you recall we noticed a similar trend in Sacombank's loan book. However this type of loan growth is unsustainable into Q3 as the discount has largely disappeared.
- In terms of capital mobilisation, ACB actually underperformed the sector however as they expanded their deposit base by 9% YTD while the sector saw average deposit growth of 10.82% YTD in 1-H FY2010. As we mentioned deposit lines become more competitive. Some smaller banks have made extensive use of promotions to entice their customer base which ACB was reluctant to follow. Hence ACB's market share in total deposits fell from 6.57% at the end of FY2009 to 6.46% at the end of the 1-H FY2010.
- ACB's growth down the years has been built on a solid foundation of superior deposit base growth and indeed this is the first time we have seen single digit growth in their deposits as far back as we have tracked numbers. Moreover their market share loss in deposits is another first. There are several strands to this; the gold business carried with it substantial associated deposits, a slowdown in new branch opening as the SBV tried to consolidate the industry through tougher regulations for everything and the fact that everyone is competing to raise deposits at the same time.
- The bank hasn't announced their consolidated performance. However, ACB securities Co. earned less than VND50 billion in 1-H FY2010 while we think other subsidiaries didn't bring ACB much by way of profits. For the whole group, we estimate that ACB earned around VND1,350 billion in 1-H FY2010. This accounts for 37.5% of their full year target for FY2010. At the moment the LDR is around 60%, compare to 58% at the end of FY2009.
- Net interest income is still the key earning driver and contributed 76% of total operating income. Compared to 1-H FY2009, total net interest income expanded 39-40% y/y in 1-H FY2010. And we understand the NIM was 2.6-2.7% in 1-H FY2010, unchanged compared to 1-H FY2009. Service income accounted for 8% of total operating income followed by FX gains with 12%. Service income declined 46% y/y while FX gains dropped 39% y/y. And equity trading gains made up just a tiny share. As the foreign currency exchange market is under tight SBV control this year the lack of volatility has made for meager returns. And in the past gold trading gains contributed a large portion of overall FX gains. The closure of the gold trading floors also lay behind the sharp decline in the service incomes.
- The cost base expanded by 17% y/y during 1-H FY2010 because the bank increased the average salaries by 15% in Q4 2009. While expanding their network, they simultaneously restructured their organization and allocated redundant staff to the 50 new branches and sub-branches (+25% y/y in 1-H FY2010). Therefore despite the larger network the

cost base increased only in line with the average salary increase as the bank continues to manage cost very effectively.

- For 2-H FY2010, we forecast the sector will see the loan growth of 12% compared to the end of Q2 FY2010. We believe that SBV will follow a cautious monetary policy and place the highest priority on controlling the exchange rate only then followed by achieving the GDP growth target set by the government. Because the bank enjoys higher liquidity than other banks, we think that they can outperform the sector in term of loan growth. Therefore we forecast ACB will see loan growth 14-15% h/h in 2-H FY2010 on deposit growth of 12-13%. We forecast that the bank will see NIM largely unchanged at 2.6-2.7% for all of FY2010. And we further forecast their full year provisions will increase by 21% to VND 346 billion. The latest published NPL came to 0.37% at end-June and we forecast the NPL ratio will raise to 1.4% by end FY2010.
- ACB has plans to raise its chartered capital from VND7,814 billion to VND9,377 billion this year through issuing new shares to their current shareholders at a ratio of 100:20 at par value. We understand the bank is currently preparing the supporting legal documents for their new issuance. At June, the bank had a CAR by 9% and the new capital injection will improve the CAR as well as their financial position.
- Based on our assumptions, we forecast the bank will achieve FY2010 pretax profit of VND3,012 billion (+6% y/y). Given this forecast, this would generate an adjusted EPS of VND2,767 and a BVPS of VND15,643. The shares are trading at a forward P/E of 10xs and P/B of 1.9xs. This compares to a sector forward P/E of 11xs and P/B of 1.8xs. Their shares are cheaper than other bank shares. Because there are some uncertainties in the banking sector, like other bank shares, their shares continue to underperform the sector for the rest of this year in our opinions.

FINANCIAL RATIO

Asia Commercial Bank_Ticker: ACB - HNX

Wednesday, August 11st 2010

Balance sheet (VNDmillion)	FY2005	FY2006	FY2007	FY2008	FY2009F	FY2010F
Cash and cash equivalents	1,532,492	2,284,848	4,926,850	9,308,613	6,757,572	5,345,531
Balances with State bank	988,784	1,562,926	5,144,737	2,121,155	1,741,755	5,345,531
Deposits with other banks	6,535,305	16,401,829	29,164,968	26,187,911	36,698,304	29,358,643
Trading securities	39,218	640,195	501,293	226,429	638,874	749,743
Trading securities	40,792	641,769	504,006	370,031	739,126	849,995
Provision loss	(1,574)	(1,574)	(2,713)	(143,602)	(100,252)	(100,252)
Derivatives	-	1,057	9,973	38,247	-	-
Loans and advances to clients	9,360,692	16,958,212	31,676,320	34,604,077	61,855,984	81,117,456
Loans and advances to clients	9,381,517	17,014,419	31,810,857	34,832,700	62,357,978	81,867,626
Provision loss	(20,825)	(56,207)	(134,537)	(228,623)	(501,994)	(750,171)
Investment securities	4,823,767	4,228,621	9,132,829	24,441,506	32,166,926	47,609,609
Available for sales	456,515	11,061	1,678,767	715,837	299,755	230,044
Held to maturities	4,367,252	4,217,560	7,474,348	23,938,739	31,981,845	46,373,675
Provision loss			(20,286)	(213,070)	(114,674)	(114,674)
Long term investments	136,716	443,458	762,469	1,178,132	1,197,348	1,380,100
Affiliates	11,713	130,964	195,358	205,143	1,129	1,298
Other long term investments	125,003	312,494	567,111	1,108,166	1,217,219	1,399,802
Provision loss				(135,177)	(21,000)	(21,000)
Fixed assets	494,478	591,573	554,747	789,034	872,634	988,753
Tangible(*)	482,008	574,440	514,109	739,729	824,574	926,968
Intangible	12,470	17,133	40,638	49,305	48,060	61,785
Other assets	361,412	1,537,475	3,517,495	6,411,026	25,951,650	5,190,330
Total Assets	24,272,864	44,650,194	85,391,681	105,306,130	167,881,047	177,085,694
Deposits & Loans from SBV	967,312	941,286	654,630	-	10,256,943	10,000,000
Deposits from Banks	1,123,576	3,249,941	6,994,030	9,901,891	10,449,828	18,004,602
Customer deposits	19,984,920	29,394,703	55,283,104	64,216,949	86,919,196	106,910,611
Trusted funds	265,428	288,532	322,512	298,865	270,304	270,304
Liabilities from derivatives				-	23,351	-
Bonds & CDs	0	5,861,379	11,688,796	16,755,825	26,582,588	29,240,847
Other liabilities	648,422	3,217,838	4,190,760	6,366,132	23,272,550	2,327,255
Equity and other funds	1,283,206	1,696,515	6,257,849	7,766,468	10,106,287	10,332,076
Chartered capital	948,316	1,100,047	2,630,060	6,355,813	7,814,138	7,814,138
Capital surplus	-	-	1,704,197	-	-	-
Funds	138,973	187,727	487,840	713,555	952,949	1,313,532
FX revaluation						
Retained profits	195,917	366,213	1,435,752	697,100	1,339,200	1,204,405
Minor shareholders' interests		42,528	-	-	-	-
Liabilities and Equities	24,272,864	44,650,194	85,391,681	105,306,130	167,881,047	177,085,695

INCOME STATEMENT	FY2005	FY2006	FY2007	FY2008	FY2009F	FY2010F
Interest income	1,354,980	2,490,616	4,538,134	10,497,846	9,613,889	18,680,084
Interest expenses	(840,715)	(1,670,044)	(3,227,028)	(7,769,589)	(6,813,361)	(14,838,021)
Net interest income	514,265	820,572	1,311,106	2,728,257	2,800,528	3,842,063
Fee and commission income	112,807	172,980	342,592	680,301	987,982	987,982
Fee and commission expenses	(15,599)	(24,645)	(71,377)	(73,793)	(118,346)	(124,263)
Net fee & commission income	97,208	148,335	271,215	606,508	869,636	863,719
Foreign exchange gains - net	14,640	23,514	155,140	678,852	422,336	337,869
Income from trading securities	-	31,520	344,990	(30,067)	20,637	100,000
Income from Investment securities	2,626	65,757	896,792	46,291	551,718	200,000
Other income	25,766	15,597	4,926	37,356	155,189	80,000
Dividends	30,778	36,653	36,653	172,279	115,026	219,060
Total operating income	685,283	1,141,948	3,020,822	4,239,476	4,935,070	5,642,710
Administration expenses	(288,942)	(462,424)	(804,650)	(1,590,903)	(1,809,462)	(2,283,887)
Profit before loan loss provision	396,341	679,524	2,216,172	2,648,573	3,125,608	3,358,823
Provision loss	(5,992)	(40,597)	(89,357)	(87,993)	(287,444)	(346,418)
Profit before tax	391,550	638,927	2,126,815	2,560,580	2,838,164	3,012,405
Income tax	(92,349)	(181,643)	(366,807)	(349,898)	(636,960)	(753,101)
Net profit	299,201	457,284	1,760,008	2,210,682	2,201,204	2,259,304
Net profit for their shareholders	299,201	457,284	1,760,008	2,210,682	2,201,204	2,259,304

FINANCIAL POSITION	FY2005	FY2006	FY2007	FY2008	FY2009F	FY2010F
Size						
No. of branches and sub-branches	61	84	111	192	237	267
No. of employees	2,128	2,892	4,600	6,598	6,669	8,269
Capital Adequacy Ratio						
CAR	12%	10.9%	16.19%	12.4%	9.7%	9.0%
Equity/Total Assets	5.3%	4.3%	6.1%	7.4%	6.5%	5.9%
Equity multiplier = TA/Equity	18.9	23.1	16.3	13.6	15.3	16.9
Asset quality						
Risk assets to total assets ratio	78%	83%	79%	71%	71%	79%
NPL ratio 3-5	0.3%	0.20%	0.08%	0.9%	0.4%	1.4%
NPL ratio 2-5	1.7%	1.11%	0.31%	2.03%	1.00%	3.4%
Loan loss coverage 3-5	71%	169%	506%	74%	197%	65%
Loan loss coverage 2-5	13%	30%	138%	32%	81%	27%
Liquidity						
Liquid asset to customer deposit ratio	70%	85%	88%	97%	90%	83%
Loans/customer deposit	47%	58%	57%	54%	71%	76%
Loans/(customer deposit + CD)	47%	48%	51%	46%	56%	61%
Interbank borrowing to total deposits	5%	8%	9%	11%	8%	12%
Loans/Toal assets	39%	38%	37%	33%	37%	46%
Asset Performance						
Total revenue/ Avg. Total assets	9%	11%	13%	17%	12%	15%
Net income/ Total revenue	13.4%	11.5%	18.8%	13.5%	13.1%	8.6%
Avg Earning assets/ Avg Total assets	85%	85%	82%	81%	79%	83%
Profitability & Efficiency						
ROA	1.23%	1.33%	2.71%	2.32%	1.61%	1.31%
ROE	23.32%	30.69%	44.25%	31.53%	24.6%	22.1%
Net spread	2.61%	2.99%	2.78%	4.24%	2.61%	2.35%
Net interest margin	2.5%	2.8%	2.5%	3.5%	2.6%	2.7%
Non-interest expenses over AEA	na	1.4%	1.4%	1.9%	1.5%	1.5%
Net interest income/total operating income	75%	72%	43%	64%	57%	68%
Cost to income ratio	42%	40%	27%	38%	37%	40%
Growth Ratios						
Asset growth	57.0%	84.0%	91.2%	23.3%	59.4%	5.5%
Loan growth	40.0%	81.4%	87.0%	9.5%	79.0%	31.3%
Customer deposit growth	53.0%	47.1%	88.1%	16.2%	35.4%	23.0%
The growth of customer deposits and CDS		76.4%	90.0%	20.9%	40.2%	20.0%
Equity growth	81.0%	32.2%	268.9%	24.1%	30.1%	2.2%
Pretax profit growth	38.8%	63.2%	232.9%	20.4%	10.8%	6.1%

Source: ACB reports; HSC calculation; (F) HSC forecasts

COMPANY PROFILE

Asia Commercial Bank_Ticker: ACB - HNX

Wednesday, August 11st 2010

Company History

- 1993** Asia Commercial Bank was established
- 1996** Issued ACB-MasterCard
- 1997** Issued ACB-Visa
- 1999** Applied the core banking system TCBS
- 2000** Restructured so that the bank is business-oriented and support-oriented
- 2003** Built and applied ISO 9001:2000 system
- 2005** Standard Chartered Bank agreed to provide ACB with a comprehensive technical support & became a shareholder of ACB
- 2006** Listed on Hanoi Stock Exchange
- 2007** Cooperated with Microsoft in applying IT in operation and management, with Standard Chartered Bank in issuing bonds Issued 10 million shares
- 2008** Increased the charter capital to VND6,355 billion

Business lines

ACB's business lines are to mobilise short, medium and long-term capital in the form of time deposits, demand deposits, certificates of deposits; receive investment funds; receive capital from local and overseas financial institution; grant short, medium and long-term loans; discount commercial paper, bonds and valuable documents; joint-venture and other companies; provide settlement services to customers; deal in foreign exchange, gold; provide investment in bonds and other securities; provide investment and asset management services, other banking services.

Contact Information

Head Office	442 Nguyen Thi Minh Kha, District 3, HCMC, Vietnam
Telephone	(84) (8) 3929 0999
Fax	(84) (8) 3834 3269
Website	www.acb.com.vn

Ownership structure	% chartered capital
Local investors	70%
Foreign investors	30%

Name	Position
Board of Directors	
Mr. Tran Xuan Gia	Chairman
Mr. Pham Trung Cang	Vice Chairman
Mr. Trinh Kiem Quang	Vice Chairman
Mr. Le Vu Ky	Vice Chairman
Mr. Ly Xuan Hai	Member
Mr. Huynh Quang Tuan	Member
Mr. Luong Van Tu	Member
Mr. Julian Fong Loong Choon	Member
Mr. Alain Cany	Member
Mr. Dominic Screiven	Member
Mr. Tran Hung Huy	Member
Board of Supervisors	
Mr. Huynh Nghia Hiep	Chief Supervisor
Ms. Hoang Ngan	Supervisor
Mr. Cao Trieu Phong	Supervisor
Ms. Phung Thi Tot	Supervisor
Board of Management	
Mr. Ly Xuan Hai	General Director
Mr. Dam Van Tuan	Deputy General Director
Mr. Huynh Quang Tuan	Deputy General Director
Mr. Nguyen Thanh Toai	Deputy General Director
Mr. Do Minh Toan	Deputy General Director
Mr. Bui Tan Tai	Deputy General Director
Mr. Tran Hung Huy	Deputy General Director
Mr. Nguyen Duc Thai Han	Deputy General Director
Mr. Nguyen Van Hoa	Chief accountant

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CÔNG TY CỔ PHẦN CHỨNG KHOÁN TP. HỒ CHÍ MINH
HO CHI MINH CITY SECURITIES CORPORATION

HEAD OFFICE

Level 1, 2 & 3, Capital Place Building
6 Thai Van Lung, District 1, HCMC
T : (+84 8) 3 823 3299
F : (+84 8) 3 823 3301

HANOI OFFICE

6 Le Thanh Tong
Hoan Kiem District, Hanoi
T : (+84 4) 3 933 4693
F : (+84 4) 3 933 4822

E: infor@hsc.com.vn **W**: www.hsc.com.vn