

ACB – BUY

STOCK INFORMATION

(February 27th 2019)

Stock exchange	HNX
Market price (VND)	30 800
10-day average trading volume	2 486 339
Market capital (VND bn)	38 662
Outstanding shares	1 247 165 130

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UPDATE REPORT

Business results: Pre-tax profit of ACB in 2018 was recorded at VND 6,389 billion (2.4 times higher than 2017, exceeding 12.1% of the yearly plan). In particular, profit mainly came from positive growth in total operating income, while banks controlled costs well and reduced provision for credit losses over the same period.

Outlook: We estimate ACB can achieve VND 7,341 billion in 2019 pre-tax profit (+14.9% yoy). Growth expectations are based on: (1) the bank continues to concentrate on the retail segment, the wholesale segment is selectively developed based on sectors that are capable of creating chains; (2) Mobilization of ACB still has room to grow; (3) ACB has good asset quality; and (4) the bank continues to focus resources on digital banking.

Recommendation: ACB is trading at P/B forward 2019 of 1.54 times at the reference price of VND 30,800. With the above mentioned prospects and risks, **we maintain our BUY recommendation and estimate the fair value of ACB stock at VND 38,541/share.**

Unit: VND bn	2015	2016	2017	2018	2019F
Net interest income	5 884	6 892	8 458	10 363	12 220
Non-interest income	337	671	2 981	3 670	4 335
Total operating income	6 220	7 563	11 439	14 033	16 555
Operating expenses	4 022	4 678	6 217	6 712	8 084
Provision	1 186	1 218	2 565	932	1 130
Profit before tax	1 013	1 667	2 656	6 389	7 341
NIM	3.34%	3.38%	3.45%	3.55%	3.6%
Balance of VAMC bond	1 883	1 487	40	NA	NA
ROE	5.8%	9.9%	14.1%	27.0%	25.58%
CIR	64.7%	61.9%	54.4%	47.8%	49%
CAR	12.8%	13.19%	11.53%	NA	NA
CAR tier 1	9.3%	8.26%	7.77%	NA	NA
NPL ratio	1.32%	0.87%	0.70%	0.73%	0.8%
LLR	87%	126%	133%	152%	155%
CASA		16%	17%	17%	NA

Source: ACB, VCBS

APPENDIX

INCOME STATEMENT

As of 31/12					
Unit: VND billion	2015	2016	2017	2018	2019F
Interest income	14 082	16 448	20 320	24 015	27 760
Interest expense	-8 198	-9 556	-11 862	-13 652	-15 497
Net interest income	5 884	6 892	8 458	10 363	12 264
Non-interest income (expense)	337	671	2 981	3 670	4 335
Total operating income	6 220	7 563	11 439	14 033	16 598
Operating expenses	-4 022	-4 678	-6 217	-6 712	-8 105
Operating profit (pre-provision)	2 199	2 885	5 222	7 321	8 493
Provisions (net of reversals)	-1 186	-1 218	-2 565	-932	-1 152
Profit before taxation	1 013	1 667	2 656	6 389	7 341
Taxation	-286	-342	-538	-1 252	-1 468
Profit after taxation	727	1 325	2 118	5 137	5 873
Minority interest	0	-3	0	0	0

BALANCE SHEET

As of 31/12					
Unit: VND billion	2015	2016	2017	2018	2019F
Gross loans to customers	134 032	163 401	198 462	230 527	265 106
Net loans to customers	132 491	161 604	196 617	227 983	261 811
Balances with SBV	4 609	5 119	8 315	10 684	12 506
Current accounts, deposits and placements with banks	10 122	8 152	8 942	18 770	17 360
Cash and equivalent	2 806	3 541	4 852	6 129	7 067
Marketable securities	38 827	43 985	53 955	54 558	56 074
Non-interest earning assets	12 602	11 279	11 636	11 210	11 300
Total assets	201 457	233 681	284 316	329 333	366 119
Deposits from customers	174 919	207 051	241 393	269 999	303 392
Current accounts of banks and payables to SBV	163	113	127	142	159
Borrowings from SBV and term deposits from banks	7 449	2 122	15 327	23 699	22 405
Debt securities and other borrowed funds	3 237	6 738	6 908	8 489	9 359
Non-interest generating liabilities	2 901	3 594	4 531	5 987	5 896
Total liabilities	188 669	219 618	268 285	308 315	341 211
Chartered capital	9 377	9 377	10 273	12 886	12 886
Surplus capital	-	-	-	-	-
Treasury stock	(666)	(666)	(666)	(666)	(666)
Other capital	-	-	-	-	-
Reserve funds	2 374	2 590	2 914	3 693	4 590
Exchange rate differences&asset valuation differences	-	-	-	-	-
Distributable retained profits	1 702	2 761	3 510	5 105	8 098
Shareholders' equity	12 788	14 063	16 031	21 018	24 908
Minority interest	-	-	-	-	-
Total liabilities and equity	201 457	233 681	284 316	329 333	366 119

DISCLAIMER

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