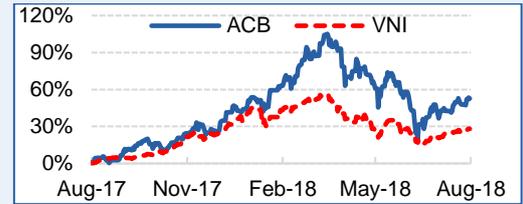


Industry:	Banking		<u>2017</u>	<u>9M/18</u>	<u>2018F</u>
Report Date:	October 23, 2018	PPOP y/y	81.0%	55.5%	37.2%
Current Price:	VND29,600	NPAT y/y	59.8%	147.0%	132.5%
Current Target Price:	VND38,700	NIM	3.46%	3.31%	3.49%
Upside	30.7%	NPL	0.7%	0.8%	0.8%
Dividend Yield:	<u>0.0%</u>	CIR	54.4%	45.2%	47.0%
TSR	30.7%	Div/Sh (VND)	-	-	-
Rating:	BUY	P/B	2.3x	1.9x	1.8x



Market Cap:	\$1.6bn		<u>ACB</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room*:	\$0mn	P/E (ttm)	5.4x	11.2x	16.6x
ADTV30D:	\$4.2mn	P/B (curr)	1.9x	1.8x	2.6x
State Ownership:	0.0%	ROE	14.1%	16.3%	15.3%
Outstanding Shares:	1.247bn	ROA	0.8%	1.2%	2.4%
Fully Diluted Shares:	1.247bn				

Company overview

Founded in 1993, ACB is the fourth smallest bank among our coverage banks by total assets as of December 31, 2017. ACB has the fifth-largest network among our ten coverage banks. The bank listed its shares in November 2006. The bank primarily focuses on the retail and SME segment.

Solid but unremarkable 9M; asset quality trends healthy

ACB released results for 9M 2018 with a bottom line of VND3.8tn (USD165mn, +147% YoY), achieving 77% of our full-year forecast. NII and a recovery of written-off debt are slightly trending ahead with our expectation while net fee income was in line. In particular, Q3 2018 achieved net earnings of VND1.3tn (USD57mn; +139% YoY). 9M results were driven by:

- Net interest income (NII) increased by 22.2% YoY with NIM of 3.31% (vs 9M 2017 at 3.16%). NII contributed 75% to TOI.
- Net fee and commission income (NFI) (excluding FX) increased 26.5% YoY to VND1.1tn (USD48mn). NFI contributed 11% to TOI.
- Net gain from trading foreign currencies jumped up by 71.5% YoY to VND308bn (USD13mn).
- Net loss from trading securities was VND47bn (USD2mn) vs a gain of VND27bn (USD1.2mn) in 9M 2017.
- Net gain from investment securities slid by 50.3% YoY to VND186bn (USD8mn).
- Net other income surged by 99.7% YoY to VND898bn (USD39mn), mainly driven by income from the recovery of written-off debt. This contributed 9.1% to TOI.
- Provision expenses tumbled by 55.7% YoY; Loan loss coverage (LLR) remained high at 130%.
- Loan growth reached 11.3% YTD, deposit growth stood at 11% YTD.
- Cost to income ratio (CIR) fell to 45% (vs 56% in 9M 2017).
- Non-performing loans (NPL) maintained at a low level of 0.84% (vs 0.78% in H1 2018 and 1.04% in 9M 2017).

NIM rose 2 bps despite muted loan growth. Q3's interest earning assets yields tracked up by 10 bps, mainly caused by the lending structure moving toward higher yielded segments (i.e., Retail and SME). This conclusion is clearly explained by a 28-bps increase in annualized yields on loans to customers from 9.23% to 9.51% observed in Q2 and Q3 2018, respectively.

Solid performance of non-interest income (NII), constituting 25% of TOI. While there was no breakdown on NFI, we suspect that the bancassurance business performed well in Q3 2018 and delivered a result proportional to that of the first six months, which was reported at VND48bn (USD2.1mn). Moreover, we believe that the recovery of written-off debt continued to drive other income to surge in Q3 2018, which accounted for ~72% of other income in H1 2018.

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The NPL ratio inched up by 5 bps QoQ to 0.84%, accompanied by negligible write-offs in 9M 2018. Group 5 loans trended up by 23%, whereas group 3 and 4 loans dropped by 17%, all relative to Q2 2018. Provision balance/gross loans grew from 0.74% to 1.08%. 9M 2018 write-off/gross loans of 0.0% compares with a FY17 figure of 0.8%. As of H1 2018, there were VND135bn (USD5.8mn) of receivables related to “Group 6 companies”, and we expect no changes happened in Q3 2018.

Figure 1: ACB’s Q3 2018 consolidated results

VND bn	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY
NIM	3.43%	3.41%	2 bps	3.35%	8 bps
Asset yield	8.05%	7.95%	10 bps	8.11%	-7 bps
Cost of funds	4.57%	4.48%	8 bps	4.91%	-34 bps
CASA ratio	15.3%	15.4%	-8 bps	14.2%	106 bps
NII	2,563	2,488	3.0%	2,147	19.4%
Non-II	797	717	11.2%	388	105.4%
Provision expenses	(215)	(311)	-31.0%	(525)	-59.1%
PPOP	1,840	1,972	-6.7%	1,267	45.3%
Net profit	1,309	1,318	-0.6%	547	139.5%
CIR	45.2%	38.5%	7 ppts	50.0%	-5 ppts
NPL	0.84%	0.78%	5 bps	1.04%	-20 bps
Loan growth (QoQ)	-0.42%	4.81%	-5 ppts	1.58%	-2 ppts
Deposit growth (QoQ)	0.06%	3.70%	-4 ppts	1.67%	-2 ppts

Source: ACB, VCSC

VCSC Rating and Valuation Methodology

Absolute, long term (fundamental) rating: The recommendation is based on implied total return for the stock defined as (target price – current price)/current price + dividend yield, and is not related to market performance.

RATING	DEFINITION
BUY	Total stock return including dividends over next 12 months expected to exceed 20%
OUTPERFORM (O-PF)	Total stock return including dividends over next 12 months expected to be positive 10%-20%
MARKET PERFORM (M-PF)	Total stock return including dividends over next 12 months expected to be between negative 10% and positive 10%
UNDERPERFORM (U-PF)	Total stock return including dividends over next 12 months expected to be negative 10%-20%
SELL	Total stock return including dividends over next 12 months expected to be below negative 20%
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED	A rating that happens when fundamental information is insufficient to determine an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.

Unless otherwise specified, these performance parameters only reflect capital appreciation and are set with a 12-month horizon. Future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation, thus these performance parameters should be interpreted flexibly.

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