

# Asia Commercial Bank (ACB)

## Curbing operating cost while expanding credit cost

### 2Q pretax earnings decreased 1% YoY when credit growth slowed down

- 2Q pretax earnings in of VND1,895 billion (-1% YoY), making 1H20 pretax reached 50% of 2020 guidance. Up to 2Q20, credit growth increased by only 5.6%YTD vs 2Q19's 8.8%YTD, and increased modestly of 2.2% from 1Q20. Total credit increased by 13.2% YoY vs 1Q20's 15.8% YoY, aligned with slowing trend in customer loan growth of 13.2% YoY vs 1Q20's 15.8% YoY.
- Deposit of customer reached VND330,551 billion (+6% YoY, +13% YoY) was still the pivot of banks' capital mobilization resources. Pure loan to deposit ratio (pure LDR) was kept stable at 85.8%, moreover, current account & saving account ratio (CASA) improved slightly to 17.5% from 1Q20's 15.9%.

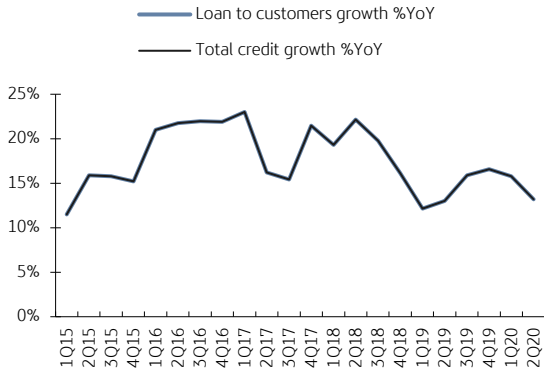
### Maintaining asset quality in difficult credit conditions

- Substandard & below non-performing loan ratio has built up to 0.68% from 1Q20's 0.66%, besides, precautionary & below non-performing loan ratio climbed to 1.03% from 1Q20's 0.98%. Contrary to the trend of 1Q20, credit costs in 2Q20 increase to pick up with current non-performing loan formation rate, accounted for 0.15% of total loans vs 1Q20's 0.03%. This led to a spike in both reserve coverage for substandard & below non-performing loan ratio to 283% from 4Q19's 175% and precautionary & below non-performing loan ratio to 188% from 4Q19's 122%.

### Minimizing operating costs to compensate for the sharp increase in credit costs

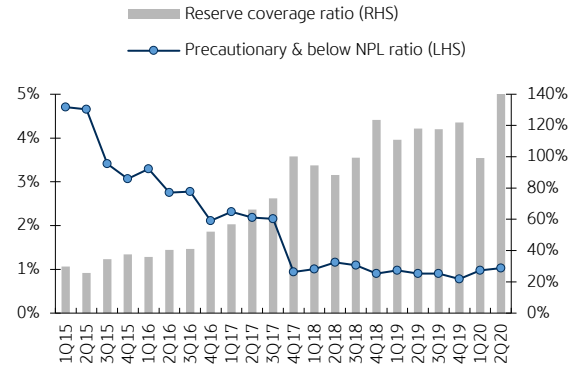
- Net interest income reached VND3,112 billion (-9% QoQ) and fee and comission income of VND471 billion went flat (+18% YoY, +15% QoQ). Gain from trading of trading securities reached VND71 billion, approximately the total gain in 2019. Operating expenses are curtailed, pressured the cost-to-income (CIR) ratio down to 43.1% vs 2Q19's 48.7% and 1Q20's 53.9% (*cut the abnormally high others expense under staff cost in 1Q20*). Meanwhile, credit cost inflated, reaching VND440 billion (4.7 times higher than 1Q20 and 3.9 times higher than 2Q19) accounting for 11% of total operating income.

Fig 1. ACB – Loan to customers & total credit growth, 1Q15-2Q20 (% YoY)



Source: Company reports & KB Securities Vietnam

Fig 2. ACB – Precautionary & below non-performing loan ratio & reserve coverage ratio, 1Q15-2Q20 (%)



Source: Company reports & KB Securities Vietnam

## KB SECURITIES VIETNAM RESEARCH

---

**Head of Research – Nguyen Xuan Binh**

binhnx@kbsec.com.vn

### **Macro/Strategy**

**Head of Macro & Strategy – Tran Duc Anh**

anhtd@kbsec.com.vn

**Macro Analyst – Thai Thi Viet Trinh**

trinhhtt@kbsec.com.vn

**Market Strategist – Le Anh Tung**

tungla@kbsec.com.vn

### **Equity (Hanoi)**

**Head of Equity Research (Hanoi) – Duong Duc Hieu**

hieudd@kbsec.com.vn

**Information Technology & Logistics Analyst – Nguyen Anh Tung**

tungna@kbsec.com.vn

**Property Analyst – Pham Hoang Bao Nga**

ngaphb@kbsec.com.vn

**Power & Construction Material Analyst – Le Thanh Cong**

congltt@kbsec.com.vn

**Financials Analyst – Nguyen Thi Thu Huyen**

huyenntt@kbsec.com.vn

### **Equity (Ho Chi Minh)**

**Head of Equity Research (Ho Chi Minh) – Harrison Kim**

harrison.kim@kbf.com

**Consumer & Retailing Analyst – Dao Phuc Phuong Dung**

dungdpp@kbsec.com.vn

**Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh**

danhnt@kbsec.com.vn

**Oil & Gas & Chemicals Analyst – Nguyen Vinh**

vinhn@kbsec.com.vn

### **Research Marketing**

**Korea Marketing Analyst – Seon Yeong Shin**

shin.sy@kbsec.com.vn

## KB SECURITIES VIETNAM (KBSV)

---

### Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam  
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

### CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656  
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276  
Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

## Investment ratings & definitions

---

### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.