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Asia Commercial Bank (ACB)

Steady 1Q on continuing credit growth

1Q pretax earnings up 13% as continued credit growth delivers steady earnings

— ACB delivered another quarter of steady earnings, with 1Q pretax earnings of VND1,537 billion (+12.5% YoY) as the bank actually managed to increase credit growth for the quarter. Overall credit growth maintained at 15.8% YoY vs 4Q's 16.6%, with loan growth also steady at 15.8% YoY vs 4Q's 16.6%. Robust credit growth – and ACB's comparatively stronger asset quality – also mitigated any negative impact from provisions amid weakening credit conditions, with credit costs for the quarter falling to VND93 billion (down 17.2% QoQ).

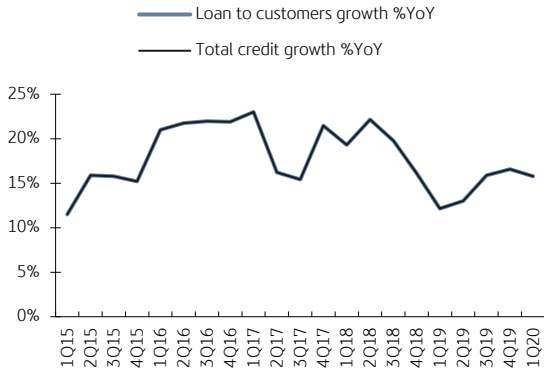
Management using stronger asset quality to maintain market share expansion strategy

— As the bank with the ample loan loss reserves and the sector's lowest non-performing loan ratio, management stuck with its goal of increasing market share by maintaining loan and credit growth despite weakening credit conditions. Substandard & below non-performing loans rose to 0.66% vs 4Q's 0.54% and the precautionary & below non-performing loan ratio also increased to 0.98% in 1Q from 4Q's 0.78%. Credit provisions did not keep pace with higher non-performing loans and fell to 0.03% of loans in 1Q from 0.4% in 4Q. This led to a drop in reserve coverage for both substandard & below loans to 148% from 4Q's 175% and precautionary & below loans to 99% from 4Q's 122%.

Gains from foreign-exchange & gold trading offset unexciting fees; costs largely inline

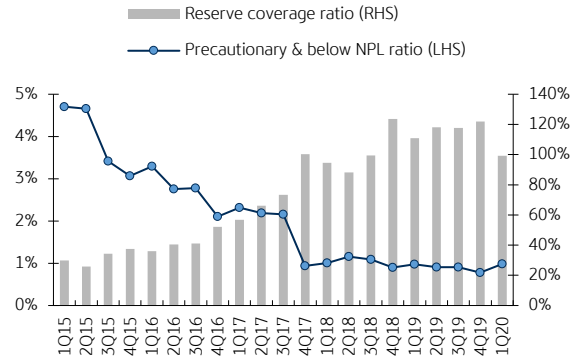
Performance for fees were flat for the quarter at VND371 billion (–0.2% YoY, –23.7% QoQ) due to the cut in transaction fees to support customers during the COVID-19 pandemic. This was offset by gains in foreign-exchange and gold trading that rose sharply to VND143 billion (up 77.4% YoY). Costs were higher (most likely due to annual bonuses) but largely in line with seasonal norms, with the cost-to-income ratio at 53.9% in 1Q vs 51.5% during the same period last year.

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



Source: Company reports & KB Securities Vietnam

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



Source: Company reports & KB Securities Vietnam

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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

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