Initial Issuer Credit Rating Report:

Asia Commercial Joint Stock Bank (“ACB”)

Long-term Issuer Credit Rating (ICR*): AA+

Outlook: Stable

Hanoi, 10 September 2024

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** This rating is an Issuer Credit Rating (ICR). An ICR reflects our view of the senior unsecured credit rating of an issuer and is not specific to a debt instrument such as bond that it may issue.*

The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

The rating presented in this announcement is effective from the rating date, until and unless we make any further updates.

This document is prepared in both English and Vietnamese. The English translation is for reference only and the Vietnamese version will prevail in the event of any inconsistency between the English version and the Vietnamese version.

Content

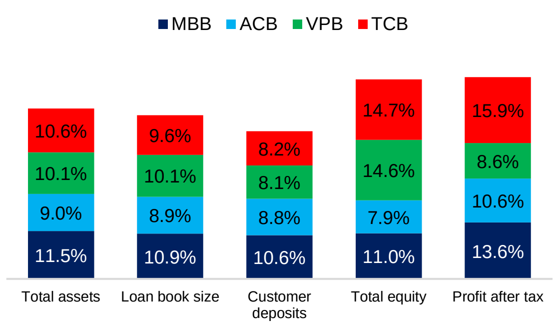
Rating Summary

Company Name	Rating Type	Issue Date	Rating	Outlook
Asia Commercial Joint Stock Bank ("ACB")	**Issuer Rating - Initial**	**September 10, 2024**	**AA+**	**Stable**

Industry Classification: Financial Institutions | Commercial Banks

Company Overview: Established in 1993 with an initial capital of 20 billion VND, Asia Commercial Joint Stock Bank (ACB) has grown significantly and is now among the top 4 largest private commercial banks in Vietnam in terms of total assets. In 2006, ACB completed its IPO and was listed on the HNX with the ticker "ACB", and then transitioned to trading on the HOSE from 2020. As of 30th June 2024, ACB has expanded its chartered capital through 20 times increases, reaching 45 trillion VND, placing the 6th in the sector. The Bank has also expanded its value chain by rising the chartered capital of its subsidiary – ACBS, to 7 trillion VND, ranking 5th among security firms in Vietnam. According to the BOD, ACBS, along with other subsidiaries such as ACBA, ACBC, and ACBL, contribute approximately 6% to ACB's total profit in the first six months of 2024. In addition to traditional lending activities, ACB has maintained significant fee income from other business activities such as bancasurrance and card services.

Exhibit 01: ACB's market share compared to selected private commercial banks as of 30 June 2024



Source: FiinRatings, ACB

Outlook: The stable outlook for ACB reflects our expectation that the Bank will maintain the rating score for the next 12-24 months.

Upgrade scenarios: Factors that could, individually or collectively, lead to a review for positive rating action or upgrade for ACB:

- The Bank has continued to maintain good profitability and has significantly improved its capital structure while continuing to diversify its loan portfolio and maintain good asset quality;
- The Bank witnesses significant credit growth and achieves a customer loan book size equivalent to that of state-owned commercial banks

Downgrade scenarios: Factors that could, individually or collectively, lead to a review for negative rating action or downgrade for ACB:

- Earnings are negatively impacted due to (i) lower interest income and/or (ii) increasingly unfavorable market conditions that prevent the development of fee-income products like settlement and bancassurances;
- Increasing problematic loans results in higher credit costs, therefore straining the Bank's capital buffer and earnings. In addition, the Bank loosens its risk appetite by lending to businesses with weaker performance or financial capacities and/or lower-quality retail customers;
- Funding and liquidity position are negatively affected, as evidenced by the declining and below-industry average stable funding ratio and long-term funding ratio as well as broad liquid assets ratio;
- Liquidity profile is weakened due to rising drawdown pressure from on-balance sheet and off-balance sheet credit-linked items.
- ACB encounters unfavorable / challenging special events that could potentially damage the Bank's reputation.

Rating Snapshot:

	Initial Rating
Banking Anchor	a-
Modifiers:	
Business Position	*+1*
Capital, Leverage & Earnings	*+1*
Risk Position	*+2*
Funding & Liquidity	+1
Stand-alone Credit Profile	**aa+**
External Support	**+0**
Issuer Credit Rating	**AA+**
Outlook	**Stable**

Rating Rationale:

- **ACB's 'AA+' Issuer Credit Rating ("ICR") with a 'Stable' outlook reflects FiinRatings' opinion that the Bank's credit profile will remain stable over the next 24 months**, supported by its solid business position, along with a stable capital profile and strong profitability. Additionally, ACB's funding ability and liquidity position are also expected to continue to benefit from a future increase in stable funding sources, which will further facilitate credit growth and liquidity stability.
- **FiinRatings' outlook for the banking sector for the period 2024-2025 is as follows:** (i) Credit growth is expected to meet or approach the 15% target set by the State Bank of Vietnam (SBV) for 2024, supported by signs of macroeconimic recovery, along with a rebound in the real estate market, and increased production and export activities; (ii) Weak capitalization may continue to be a significant credit constraint in the medium term, with a trend toward increased Tier-2 capital, especially among banks with weaker profitability. Additionally, income and profit disparities among Vietnamese commercial banks are expected to become more pronounced, with high profitability concentrated in larger banks; (iii) non-performing loan pressures are likely to remain high in the first half of 2024 but may slightly decrease or stabilize towards the end of 2024 and into 2025. Provisions at banks are expected to rise due to the potential non-extension of Circular 02 by the SBV after 2024; (iv) While short-term liquidity is expected to remain stable, a high ratio of short-term funding to medium- and long-term loans may pose future liquidity risks. Moreover, the average stable funding ratio of banks has decreased due to increasing reliance on wholesale funding.
- **The 'Strong' business position reflects ACB's solid position among the leading private joint-stock commercial banks in Vietnam and its leading position in the retail banking sector**, with a diversified business model and high stability, supported by the prudent development strategy and management of its Board of Directors
- **FiinRatings believes that ACB's strong capital structure is one of the Bank's key credit strengths, supported by good profitability on a relatively stable funding base.** ACB has maintained its capital adequacy ratio (CAR) around 11.8% to 12.5% during the period 2023- 1H2024, higher than the industry median and consistently above the Basel II requirement level. Meanwhile, the Tier 1 capital/Total assets ratio of ACB has shown a gradual increase over the years and remains above the industry median (as of June 30, 2024, ACB: 9.7%; the industry median: 8.5%). ACB's profitability is assessed as 'Strong', evidenced by the Bank's outstanding profitability indicators such as NIM, and ROA, supported by a strategy targeting high-margin customers and effective cost management, enhanced by a robust increase in digital transformation activities in both management and banking operations.
- **The Bank's risk position is assessed to be 'Very Strong': given ACB's relatively low-risk appetite compared to banks of similar scale,** a comprehensive risk management process with an in-depth governance structure, a prudent lending policy with a relatively high-quality credit portfolio, and asset quality that is maintained at a higher level compared to the industry average despite a challenging business environment.
- **'Strong' funding and liquidity: due to the ability to diversify its funding structure and focus on more stable funding sources compared to the industry average.** The Bank is expected to maintain a high level of stable funding ratio by leveraging its retail banking activities, thereby enhancing and securing liquidity and meeting future funding needs.

Exhibit 02: Key Financial Metrics of ACB (2019-1H2024)

Key metrics	Unit	2019	2020	2021	2022	2023	1H2024
Total assets	VND trillion	383,514	444,530	527,770	607,875	718,795	769,679
Gross customer loans (adjusted for corporate bond holding)	VND trillion	268,701	311,479	361,913	413,706	487,602	550,172
Customer Deposits	VND trillion	308,129	353,196	379,921	413,953	482,703	511,696
Reported Capital adequacy ratio (CAR)	%	10.9%	11.1%	11.2%	12.8%	12.5%	11.8%
Common Equity Tier-1 Capital to Total Assets	%	7.2%	7.9%	8.4%	9.5%	9.8%	9.7%
Net interest margin (NIM)	%	3.6%	3.7%	4.1%	4.4%	4.0%	3.9%
Return on average assets (ROA)	%	1.7%	1.9%	2.0%	2.5%	2.5%	2.3%
Non-performing loan ratio (NPL) (FiinRatings- adjusted)	%	0.5%	0.6%	0.8%	0.7%	1.2%	1.5%
Reserve Coverage Ratio (FiinRatings- adjusted)	%	175.0%	160.3%	209.4%	159.3%	91.2%	77.8%
Stable funding ratio (FiinRatings- adjusted)	%	103.5%	103.7%	103.0%	104.1%	103.1%	106.9%
Broad liquid assets / Short-term wholesale funding	%	184.3%	197.6%	177.4%	153.0%	145.5%	127.4%

Source: FiinRatings, ACB

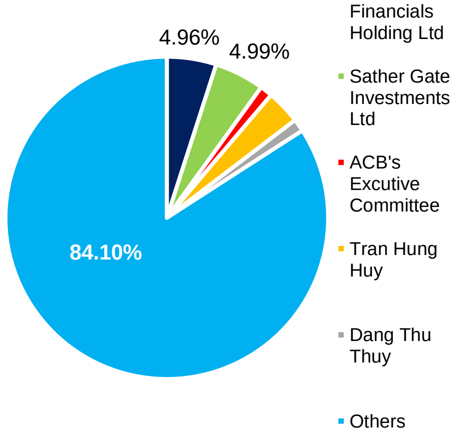
Company Overview

Established in 1993 with an initial charter capital of VND 20 billion, Asia Commercial Joint Stock Bank (ACB) is now one of the leading private banks in Vietnam, ranking 4th in terms of outstanding customer loans, which reached 550 trillion VND as of June 30, 2024, and 488 trillion VND by the end of 2023. By 1H2024, ACB has expanded its scale through 20 times capital increases, reaching VND 45 trillion in charter capital, positioning it 6th in the banking sector. Additionally, ACB has consistently expanded its value chain by increasing the charter capital of its subsidiary, ACBS, to 7 trillion VND as of 1H2024, ranking 5th among securities firms in Vietnam.

In terms of loan portfolio structure, ACB focuses on the retail customer segment, leveraging its long-standing retail business and broad network. By the end of 2Q2024, ACB has expanded its branch network to 49 provinces, with a total of 384 branches and transaction offices. Of which, Ho Chi Minh City serves as the primary area, accounting for 63% of total deposits, 43% of total oustanding loans, and contributing 50% of the Bank's revenue. As of June 30, 2024, retail customers (consumers) accounted for 65% of total loans, followed by small and medium-sized enterprises (SMEs) at 27%, and large corporates (MMLCs) at 8%. In addition, the Bank also has diversified lending industries such as import-export, construction, manufacturing, agriculture, and transportation. Regarding capital structure, customer deposits account for approximately 69% of the Bank's total funding base, of which retail customer deposits make up the highest proportion, reaching 82% of total customer deposits at the end of 2Q2024. With the advantage of being one of the leading retail banks in the market, ACB has strengthened profitability by offering a wide range of products tailored to specific customer groups such as card services, insurance, transactions, brokerage, international payment, and other services. In the period 2023-1H2024, ACB continuously led in terms of revenue in bancassurance and was among the top banks in the card and payment services segment, contributing 9% to the Bank's total operating income from non-interest income sources.

As of June 30, 2024, ACB's ownership structure is stable with over 11% belonging to the Bank's Chairman and related parties, followed by Sather Gate Investments Ltd (4.99%) and Dragon Financials Holdings (4.96%).

Exhibit 03: ACB's ownership structure as of 30Jun24



Source: ACB

Exhibit 04: ACB's key personnel as of 30Jun24

No.	Full Name	Board of Director
1	Mr. Tran Hung Huy	Chairman
2	Mr. Nguyen Thanh Long	Vice Chairman
3	Mr. Hiep Van Vo	Member
4	Ms. Dinh Thi Hoa	Member
5	Ms. Dang Thu Thuy	Member
6	Mr. Dam Van Tuan	Member
7	Mr. Do Minh Toan	Member
8	Mr. Nguyen Van Hoa	Member
9	Mr. Trinh Bao Quoc	Independent member

No	Full Name	Executive Team
1	Mr. Tu Tien Phat	Chief Executive Officer
2	Mr. Bui Tan Tai	Deputy General Director
3	Mr. Nguyen Van Hoa	Deputy General Director cum Chief Finance Officer
4	Mr. Dam Van Tuan	Deputy General Director
5	Mr. Nguyen Duc Thai Han	Deputy General Director
6	Ms. Nguyen Thi Hai	Deputy General Director
7	Ms. Nguyen Thi Tuyet Van	Deputy General Director
8	Mr. Nguyen Khac Nguyen	Deputy General Director
9	Mr. Ngo Tan Long	Deputy General Director

Source: ACB

Exhibit 05: ACB's subsidiaries and affiliates as of 30Jun2024

Subsidiaries / Affiliates	Key business lines	Charter capital (VND bn)	Ownership* (%)	Ownership type
ACB Securities Company (ACBS))	Investment banking	7,000	100	Direct
ACB Asset Management Company (ACBA)	Troubled asset management	5	100	Direct
ACB Leasing Company (ACBL)	Asset Leasing	500	100	Direct
ACB Capital Management Company (ACBC)	GP Fund Management	50	100	Direct

Source: ACB

Assumptions and projections

Key Assumptions

Factors	Base-case key assumptions
Credit growth and drivers	- ACB's credit growth is projected to reach 19.3% per annum in 2024 (the highest in the Bank's history) and 16% per annum during 2025-2026, in line with the Bank's growth plan (14-16%). This level is still lower than the growth in 2023 (17.9%) and remains within the credit limit set by the State Bank of Vietnam. - The main drivers for credit growth in 2025-2026 are assumed to come from (i) the expected recovery of the retail customer loan portfolio, especially in home loans and business loans following macroeconomic recovery, and (ii) a shift in loan structure towards corporate customers, with large corporate clients expected to grow by 20-27% annually. - The Bank's overall credit structure (including non-bank corporate bonds held by ACB) is expected to remain unchanged during 2024-2026 (with the retail segment's proportion decreasing by 5.9% over the three years 2024-2026, while the corporate segment grows by a similar percentage). We also expect the Bank to maintain its policy of not investing in corporate bonds.
Funding sources	- During the 2024-2026 period, total customer deposits are assumed to grow at a rate of 12% per year, in line with ACB's plan. Additionally, with the assumption that government policies will result in a lower interest rate environment, we project that the issuance of valuable papers (e.g., bonds or certificates of deposit) will increase, accounting for 8.7-8.9% of total assets. The remaining capital is expected to be supplemented through interbank funding. - FiinRatings expects the capital structure to remain relatively unchanged from the first half of 2024. Customer deposit growth is assumed to continue into 2026, and the Bank is projected to further strengthen its capital buffer at a rate of 15% per year from various sources.
Funding costs and net interest spread	- The average cost of funds for ACB is assumed to decrease by 0.8% in 2024 and remain at this level until 2026, supported by pro-growth interest rate policies to stimulate overall macroeconomic recovery. - Given the significant concentration of ACB's portfolio in retail lending and SME lending, we expect the Bank's yield to decline by the same 0.8% in 2024 but recover in 2025-2026. The net interest margin (NIM) is projected to remain at 3.6-4%, similar to pre-COVID-19 levels. NIM represents the difference between the average yield on earning assets and the average cost of interest-bearing liabilities.
Fee income	- FiinRatings believes that ACB's gradual shift in focus towards large corporate clients will significantly impact fee income. Specifically, international payment revenue and underwriting revenue are expected to grow substantially due to the Bank's emphasis on value chain lending and ecosystem-based lending, with an anticipated growth rate of larger than 25% per year. Brokerage service income is also expected to recover to around 2022 levels, following the market sell-off period, as ACBS upgrades its capabilities, and the overall stock market improves.
CIR	- The Cost-to-Income Ratio (CIR) is assumed to remain stable at 30% over the next three years, as we expect the Bank to continue effectively controlling operating expenses, particularly through increased digital transformation in its operations.
Assets quality	- With Circular 02 allowing for the reclassification of bad debts not getting renewed after 2024, we expect the Bank's NPL to increase, estimated at 0.24% of the total portfolio. After this period, bad debts in both retail and corporate loans are expected to decrease slightly each year until 2026. - Special mention loans are projected to remain stable at 0.5% in 2024 before increasing to 0.6% in 2025-2026. This increase is seen as a result of intensified lending to ecosystems and value chains. However, the Bank's relatively prudent risk management and its existing assets quality will help keep the problem loans ratio (SML + NPL) below 3% of loan book.

Exhibit 06: ACB's Base-case Key Metrics

Key metrics	Unit	2022A	2023A	6T2024	2024F	2025F	2026F
Customer loans (and C-bonds) growth	%	14.3	17.9	12.8	19.3	16.0	16.0
Total equity / Total Assets	%	9.6	9.9	9.7	10.8	12.4	13.9
Net interest income / Total operating income	%	81.7	76.2	82.2	79.6	83.4	84.5
Net fee income / Total operating income	%	12.2	8.9	9.6	11.4	10.2	10.2
Net interest income / Average earning assets (NIM)	%	4.4	4.0	3.9	3.5	3.9	4.0
Cost-to-income ratio	%	40.3	33.2	33.0	30.0	30.0	30.0
Pre-provision operating income / Average assets	%	3.0	6.7	3.1	3.0	3.2	3.3
Return on average assets (ROA)	%	2.5	2.5	2.3	2.4	2.5	2.6
Return on average common equity (ROE)	%	26.4	24.9	23.4	21.6	21.6	19.9
Non-performing loan ratio (NPL) (FiinRatings-adjusted)	%	0.7	1.2	1.5	1.6	1.6	1.5

Problem loan ratio (FiinRatings- adjusted)	%	1.3	1.9	2.0	2.2	2.2	2.1
Reserve coverage ratio	%	159.3	91.2	77.8	63.8	73.5	85.0
Average financing cost	%	3.6	4.9	3.9	3.0	2.9	3.0
Stable funding ratio (FiinRatings- adjusted)	%	104.1	103.1	106.9	101.5	101.1	100.0
Board liquid assets/ Short-term wholesale funding ratio	%	153.0	145.5	127.4	136.9	131.3	124.6

Source: FiinRatings, ACB
Note: A – actual, F – future

Business Position (+1)

FiinRatings affirms ACB's business profile as "Strong" and makes a one-notch adjustment upward from the banking sector anchor. This upgrade is attributed to ACB's solid presence among the private commercial banks in Vietnam and its leading position in the retail banking sector, with a diverse business model and high stability, supported by the prudent development strategy and management of its Board of Directors.

Business Stability

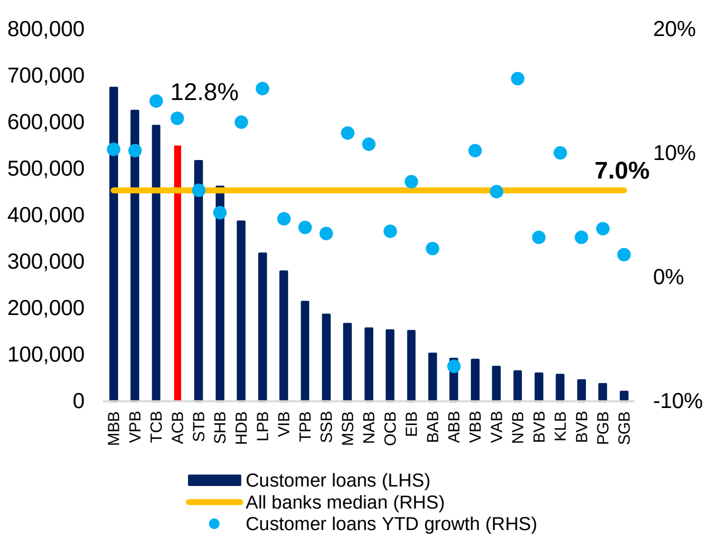
ACB's business stability is rated as **"Strong"**, reflecting FiinRatings' view that this stability will continue to benefit from its leading position in the retail banking sector, as well as its solid customer base and a stable income structure over the years.

(1) Market position

ACB's stable business operation is reinforced by its consistent leading position in the retail banking sector as well as among top private joint-stock commercial banks in Vietnam for many years. As of 2Q2024, ACB is among the largest commercial banks in Vietnam, ranking 8th and 7th in terms of outstanding loans (VND 550.2 trillion) and customer deposits (VND 511.7 trillion), respectively, among 30 Vietnamese commercial banks.

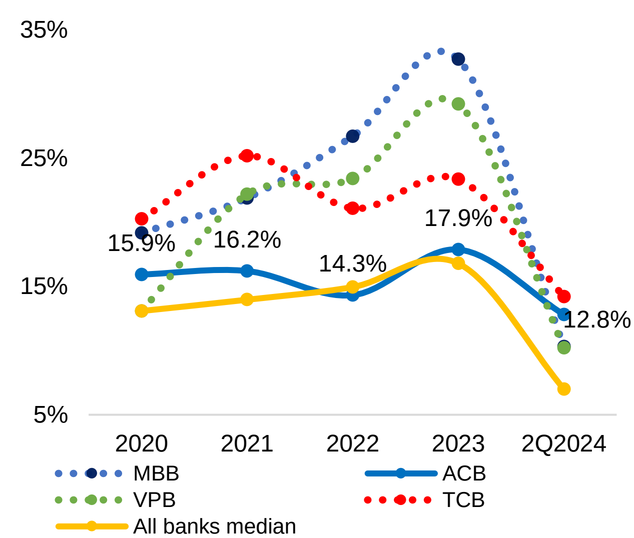
In the first half of 2024, ACB recorded a credit growth of 12.8% compared to year-end 2023 (ranking 4th in the sector), mainly driven by MMLCs, followed by retail customers and SMEs. Specifically, for the corporate segment, ACB has adjusted its strategy since 2023 to focus on lending to MMLCs by (i) expanding lending to sectors with future growth potential such as steel, textiles, plastics, and electricity; (ii) accelerating digital transformation and providing services that meet the current needs of businesses; and (iii) leveraging its extensive transaction network and well-trained, unified workforce to ensure fair service delivery to all customers. For the retail segment, ACB's main customer base currently includes affluent individuals, office workers, and business owners. In which, loans to business owners account for 50%, home loans for 30%, and consumer and other loans for the remaining 20% of the retail loan book. These loans typically have lower values and are secured by collateral (98% of loans are collateralized), mitigating the impact of market fluctuations and speculative trends on interest income. Additionally, ACB's offerings possess several advantages, such as diverse credit products with flexible terms, fixed interest rates for loans ranging from 2 to 5 years, no prepayment fees, and step-up saving services, all of which foster customer loyalty. As a result of these strategies, the Bank has recorded a stable growth rate of over 18% in retail lending, while the SME segment has achieved 15% growth over the past five years (Exhibit 09), enabling ACB to maintain a more stable loan growth rate compared to peers (Exhibit 08).

Exhibit 07: ACB's customer loans and credit growth VS peers as of June 30, 2024. Unit: VND billion



Source: FiinRatings, ACB

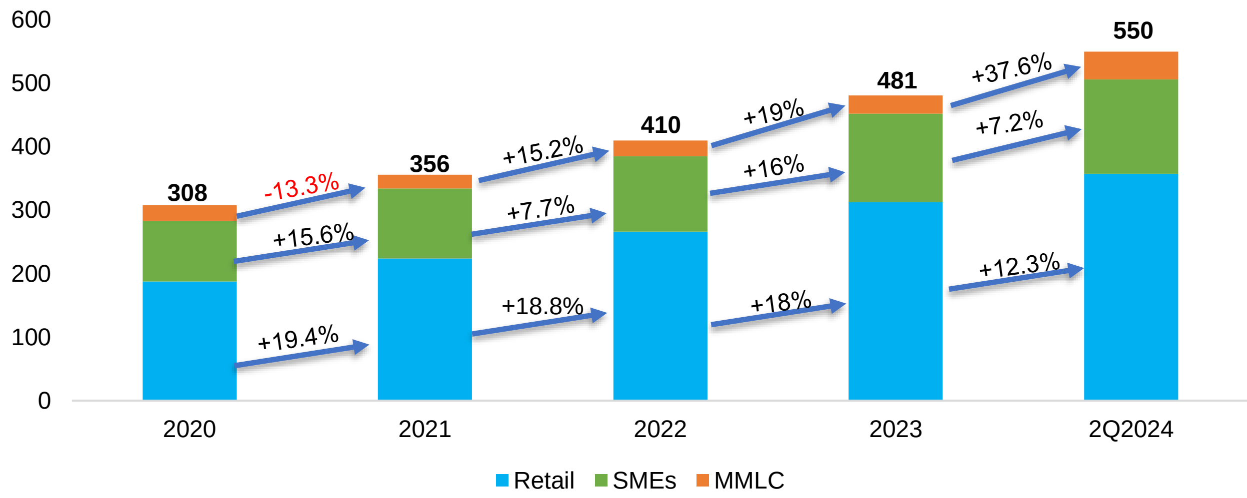
Exhibit 08: ACB's customer loan growth compared to selected commercial banks (2020-2Q2024)



Source: FiinRatings, ACB

For the period 2024-2026, ACB targets annual credit growth of 14-16%, with the highest growth in MMLC customer, followed by SMEs and retail customers. FiinRatings believes that this growth rate is achievable thanks to the Bank's strengths in retail lending and its upcoming strategic focus on MMLC and FDI enterprises, supported by macroeconomic recovery.

Exhibit 09: ACB's customer loan structure by customer segments (2020-2Q2024) (Unit: VND trillion)



Source: FiinRatings, ACB.

(2) Customer base

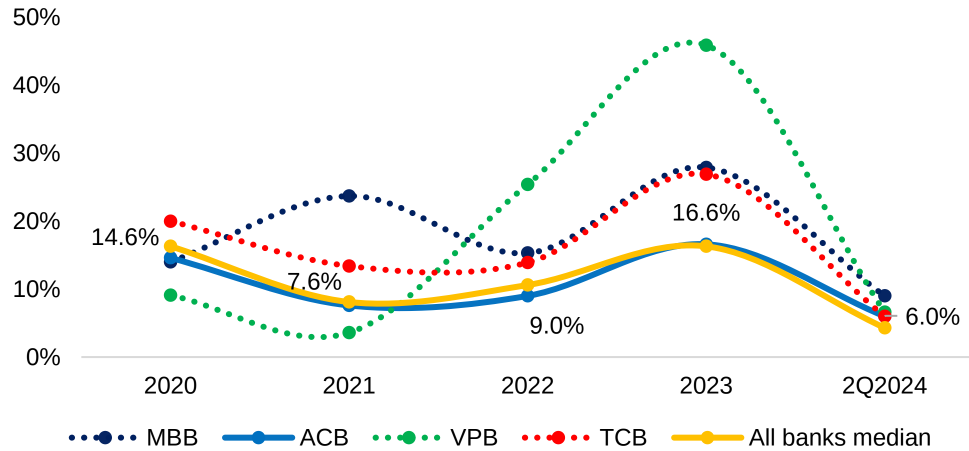
ACB's sustained growth is underpinned by a stable and extensive customer base with high credit quality and the Bank's ability to leverage its value chain, building on its leading retail banking position, therefore contributing to the stability of both its deposits and customer loans. During the 2019-2023 period, ACB witnessed a compound annual growth rate (CAGR) of 11.9%, maintaining positive growth despite significant interest rate fluctuations in 2021-2022 (Exhibit 10). As of the end of 2Q2024, ACB's customer deposit growth increased by 6.0% from the end of the year 2023 with outstanding customer deposits of 511.7 trillion VND. FiinRatings believes this performance is primarily driven by its focus on retail banking and the ability to maintain strong customer loyalty through a customer-centric strategy. This strategy involves developing tailored products and services for different customer segments and enhancing personalized experiences, leading to an increase in customer retention rates and cross-selling.

Currently, ACB's strategy to retain and grow its retail customer base involves: (i) enhancing the consistency and personalization of its customer experience through a nationwide network of branches, leveraging a referral program that targets 30% of potential customers; (ii) strengthening digital transformation to become customers' primary transaction account, particularly for business owners (accounting for 50%) to facilitate cash flow management, loan monitoring, and CASA growth from loans; and (iii) expanding its reach through partnerships with smaller ecosystems. For the value chain of the corporate customer group, ACB is willing to offer better incentives to customers with cash flow at the enterprise compared to new customers using the Bank's services (including incentives on interest rates and terms).

These strategies also contribute to ACB's goal of increasing its CASA ratio, primarily through digital channels. ACB has significantly invested in digital transformation, resulting in remarkable growth in digital transactions (76% CAGR) and transaction value (CAGR of 65%) from 2019 to 2023, toward comprehensive application for services in the ecosystem in the long term. Particularly, in the first half of 2024, online transactions accounted for 87% of the Bank's total transactions, with 91% of retail customers and 78% of corporate customers utilizing digital channels. In terms of products, digital transformation has helped ACB increase the number of customers quickly and increase the value added of new customers, reduce the cost of acquiring new customers by integrating various services onto a single platform. These services include payments, paperless sales management, loan management for small businesses, unlimited interactions, online lending, payroll services, cashless payments, and banking partnerships, which have helped to reduce funding costs.

Given these advantages, FiinRatings believes that ACB is capable of maintaining its target deposit growth of 12% per annum over the 2024-2026 period, thereby solidifying the Bank's stable business growth model.

Exhibit 10: ACB's deposit growth compared to selected commercial banks (2020- 2Q2024)

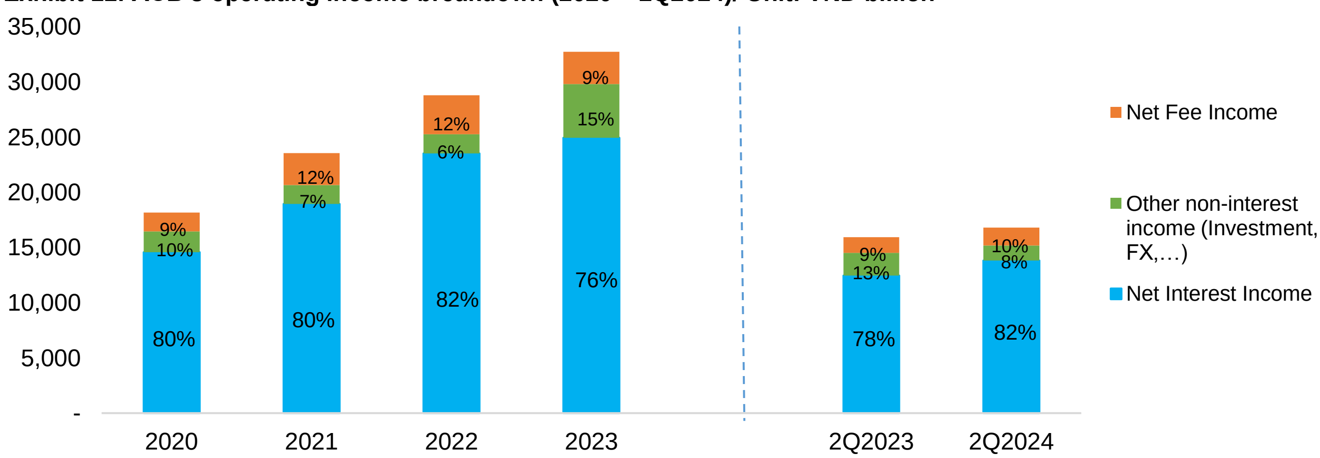


Source: FiinRatings, ACB

(3) Relatively stable income structure

Furthermore, ACB's stable income structure has also strengthened its business stability. During the 2020-2Q2024 period, non-interest income has consistently accounted for over 20% of the Bank's total operating income. Despite a decline in non-interest income in the first half of 2024, primarily due to decreases in investment income (-53.3% YoY) and foreign exchange trading (-13.7% YoY), ACB's service fee income still grew by 13.4% YoY. FiinRatings believes that the Bank has significant growth potential and that increasing non-interest income will help stabilize its operations by reducing its reliance on interest income, which is susceptible to macroeconomic fluctuations and policy changes. In terms of service fees, ACB can continue to exploit two main segments: card services and bancassurance based on the advantage of its large customer base (7.4 million customers) and extensive distribution network with 384 branches and transaction offices. Regarding investment activities, ACB's substantial investment in government bonds and bonds of other financial institutions provides stability to its income. In the event of interest rate declines, ACB can proactively re-classify government bonds and take advantage of price differentials, boosting investment revenue. For other business activities, off-balance sheet activities, especially foreign exchange swaps, have witnessed strong growth in the period due to increased hedging demand from import-export businesses. Additionally, ACB's strategy to focus on lending to MMLC and FDI has also contributed to higher revenue from foreign exchange activities thanks to the foreign exchange cash flows of FDI enterprises. With its current strategy, ACB's non-interest income growth trend is aligned with the State Bank's initiative to raise the fee income proportion of the entire system to 17% by 2025 stipulated in Decision No.986/QD-TTg.

Exhibit 11: ACB's operating income breakdown (2020 – 2Q2024)/ Unit: VND billion



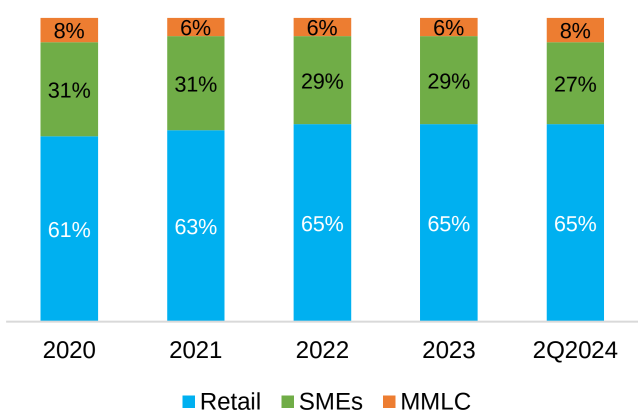
Source: FiinRatings, ACB.

Business Diversity

With an extensive network of 384 branches across 74 provinces and cities, serving 7.4 million customers as of the end of 2Q2024, ACB is diversifying its revenue structure and product and service portfolio, both in terms of credit and non-credit products.

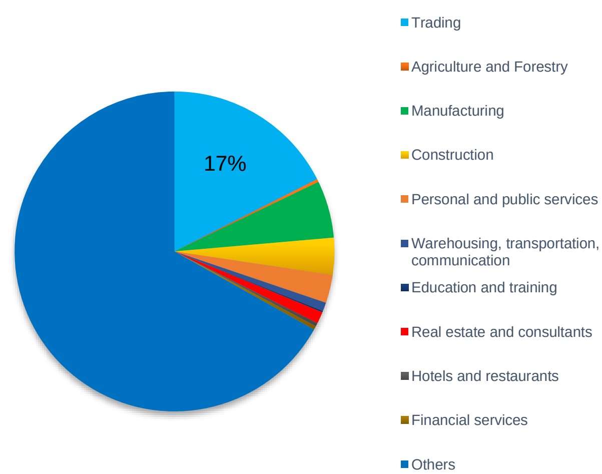
In traditional lending activities, ACB has successfully built a diversified loan portfolio through a strategy of allocating credit to various sectors such as commerce, manufacturing, logistics, consumer lending, and manufacturing, as well as leveraging lending along the customer value chain to optimize profits and mitigate risks. Despite being a leading retail bank, ACB maintains a balanced loan portfolio between retail and corporate customers to ensure customer diversity and leverage value chain credit. For retail customers, loan purposes are diversified, with 50% of outstanding loans allocated to business owners, 30% for home purchases for residential purposes, and 20% for consumer loans and other purposes. In terms of corporate clients, while the Bank is committed to nurturing its core industries, ACB will adopt a flexible approach, tailoring annual strategies for each sector based on ongoing economic assessments. In particular, the Bank strives to provide comprehensive financial and non-financial services and products to support the entire value chain of its corporate customers in its strategy. For the corporate customer segment, the Bank offers support products such as overdraft, cash flow management, as well as import-export activities financing (guarantees, international payments, foreign currency, UPAS LC). For end-consumers (end users) of these businesses, ACB offers preferential interest rates, extended loan terms, and highly personalized non-financial products based on corporate data. This strategy, combined with the Bank's focus on acquiring affluent and middle-income individuals, increases customer retention as well as enables more effective credit risk management.

Exhibit 12: ACB's customer loan breakdown (2020-2Q2024)



Source: FiinRatings, ACB

Exhibit 13: ACB's customer loan structure by industry (2Q2024)

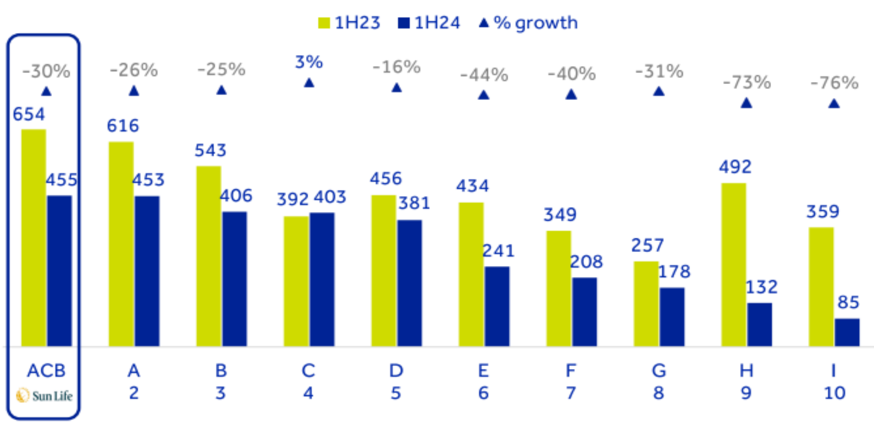


Source: FiinRatings, ACB

Regarding non-interest income, ACB is able to tap into its large retail customer base and promote comprehensive solutions to increase non-interest income from wholesale customers. In the period 2020-2Q2024, non-interest income contributed from 18% to 25% of ACB's total operating income, higher than the industry average of approximately 9%. The Bank's fee income during this period experienced lower volatility than the industry average (higher growth and lower decline), mainly driven by activities related to card services, investment banking, insurance, and other fee-based products.

In the first half of 2024, affected by the challenges of the trust crisis and new regulations tightening bank insurance products, ACB recorded a 22.7% decrease in cross-selling insurance products compared to the same period last year. However, the Bank still maintains a leading position in the insurance segment thanks to its distribution model focused on quality and transparency, tailored to each customer segment. Recognizing the challenges in growing insurance revenue, the Bank's management has developed a strategy to diversify fee income, focusing on developing card services, international remittances, and securities services of its subsidiary - ACB Securities Company Limited (ACBS).

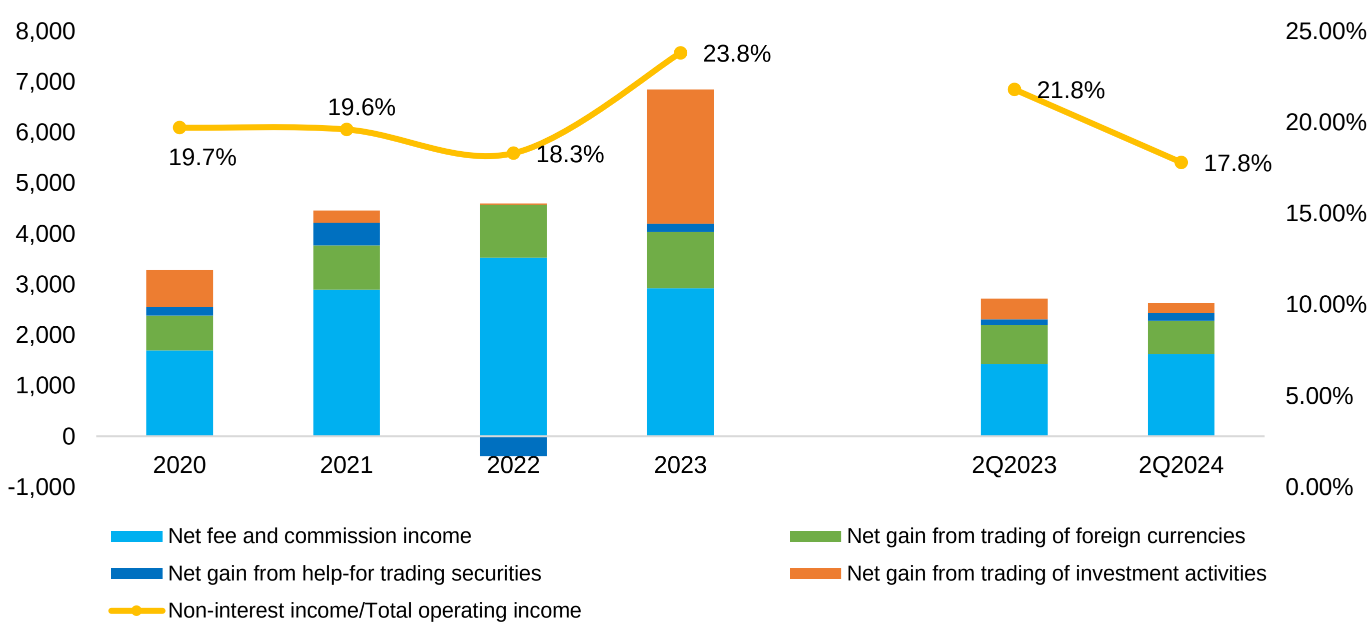
Exhibit 14: ACB's bancassurance revenue remains no.1 position in the banking sector (2023-2Q2024)



Source: ACB

As of June 30, 2024, the Bank recorded a 13% increase in service fee income compared to the same period last year, primarily driven by (i) a 22% increase in card fees due to higher card usage (with credit card activation rates reaching 70% compared to 59% in 2023), (ii) a 32% increase in international payment fees driven by robust import-export activities, and (iii) the Bank's strategy of reducing SMS fees and promoting digital transaction notifications. Additionally, the ownership of a securities firm has expanded the range of services offered to customers, diversifying revenue streams through activities such as brokerage, underwriting, financial advisory, corporate restructuring, and asset management. The Bank is also implementing a strategy to reduce fees for existing ACB customers who utilize ACBS services. With the advantage of card activities and the recovery of bancassurance cross-selling revenue, driven by its leading market share, the Bank expects the contribution of service fee income to total operating income to continue increasing in the future.

Exhibit 15: ACB's non-interest income breakdown (2020 – 2Q2024) (Unit: VND billion)



Source: FiinRatings, ACB.

Overall, FiinRatings believes that ACB's business operations will remain stable due to the Bank's diversified business model. The Bank's diversification strategies, including expanding lending activities into new sectors and developing non-credit businesses, will be key factors that we will continue to monitor in assessing the Bank's future business position.

Management and Governance

FiinRatings assesses the impact of ACB's Board of Directors and Management on the Bank's business position as "Strong". This assessment is reflected in the Bank's consistent achievement or surpassing of business targets, along with its experienced senior leadership and management team, maintaining effective and prudent business operations over the years. Regarding credit growth planning and implementation, ACB collaborates to develop and implement a focused development strategy with a 4-5 year planning cycle, with the current target period being 2024-2028. The Bank's Board of Directors will develop a business plan, which involves coordination between among business unit heads and strategic consulting from the Bank's partner to enhance feasibility and effectiveness. The business plan is then submitted, therefore setting credit growth targets for approval by the Board of Directors and the General Shareholders' Meeting (with the participation of the SBV and relevant authorities). The business plan includes a variety of indicators, each segment as well as focusing on six key indicators: credit growth rate, total assets size, asset quality, equity, profitability indicators (e.g., ROE), and market capitalization.

The feasibility of the Bank's strategy depends on several factors, including (i) credit growth limits granted by the SBV; (ii) the level and growth potential, along with the operational efficiency of each business unit; and (iii) timely assessment of risks associated with the projected growth and consideration of market demand and competition level. Each year, the business plan for the following year is prepared and submitted for approval in November of the previous year, then reviewed again in the middle of the year.

Over the past five years, the Bank has consistently achieved its set targets for loan growth, and profitability, and maintained good asset quality compared to the industry, with NPL always below 2%. Particularly, in the first six months of 2024, the Bank recorded strong business results, exceeding 86% of its target for total assets, total deposits, and total loans (Exhibit 16). In the 2024-2028 period, the Bank's leadership will continue to focus on developing the retail customer segment and expanding lending to MMLC, aiming to maintain a credit growth rate of 14% - 16% per year, ROE above 20%, and NPL below 2%. Additionally, ACB has completed the implementation of enhanced Basel III standards since 2022, aiming to enhance its competitive advantage and align with the sustainable development strategy of both the Bank and the SBV.

Exhibit 16: Planned and Actual Results of ACB (2022- 2Q2024)

	2022			2023			2Q2024		
	Actual	Plan	% Achieved	Actual	Plan	% Achieved	Actual	Plan	% Achieved
Total assets	607,875	588,187	103.4%	718,795	668,788	107.5%	769,679	805,050	95.6%
Total funding base	379,921	421,897	90.1%	413,953	495,411	83.6%	511,696	593,779	86.2%
Total customer loan	413,706	398,299	103.8%	487,601	453,836	107.5%	550,172	555,866	98.9%
Profit before tax	17,114	15,018	113.3%	20,068	20,058	100.1%	10,491	22,000	47.7%
NPL	0.7%	<2%		1.2%	<2%		1.5%	<2%	

Source: ACB, FiinRatings

Furthermore, we assess the Board of Director's exceptional ability to handle non-performing loans and past crises. At the end of 2012, the Bank recorded a significant increase in its NPL to 2.5%, peaking at 3.0% in 2013, while 17,000 billion VND in customer deposits were withdrawn during this period. Over the following four years, the Bank has endeavored to restructure its management team and implement stringent and effective management strategies for handling non-performing loans, then successfully reducing the NPL ratio to below 2% by 2015 and maintaining this level to date. Customer deposits have recorded stable growth with an annual compound growth rate (CAGR) of 12.5%

from 2012 to the end of 2Q2024. By 2018, ACB had achieved positive results with pre-tax profit reaching 6,388 billion VND, surpassing the profit level of 2011. Total assets reached 329 trillion VND, mobilized capital reached 270 trillion VND, outstanding loans were 228 trillion VND, and the NPL ratio remained at a very low level of 0.7%. Subsequently, the Bank gradually recovered and regained its position among the leading private joint-stock commercial banks.

Capital, Leverage and Earnings (+1)

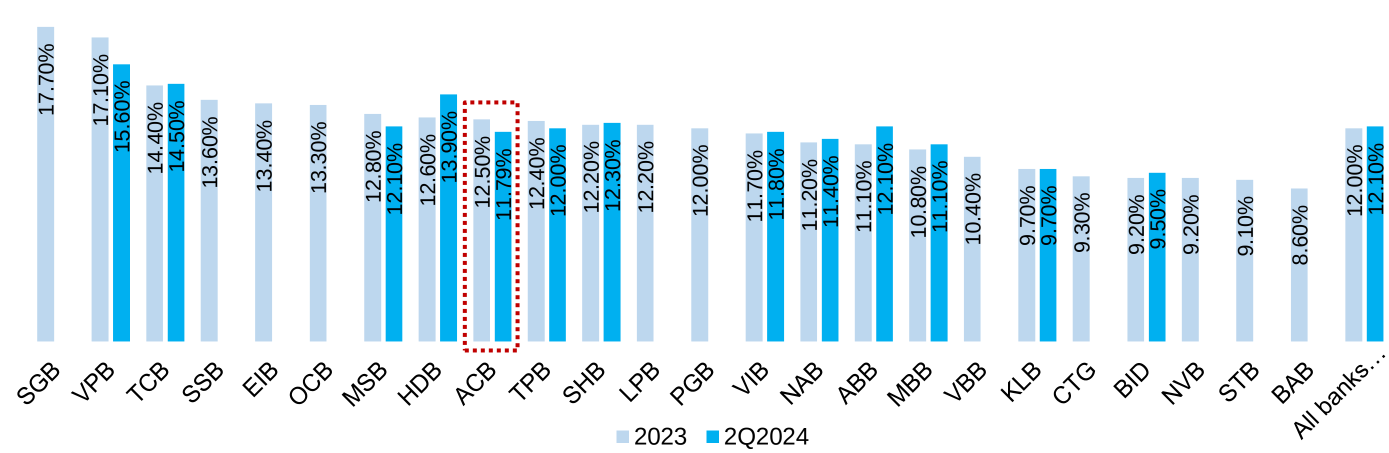
FiinRatings highlights Capital Structure/Leverage as one of ACB's credit strengths, supported by good profitability on a relatively stable funding base.

Capital and Leverage: Adequate

Capital Structure and Leverage are assessed as ‘Strong’ based on the relatively high Capital Adequacy Ratio (CAR) compared to the industry median, along with an increase in Tier-1 capital within its capital structure, and the continuous improvement in financial leverage in the future.

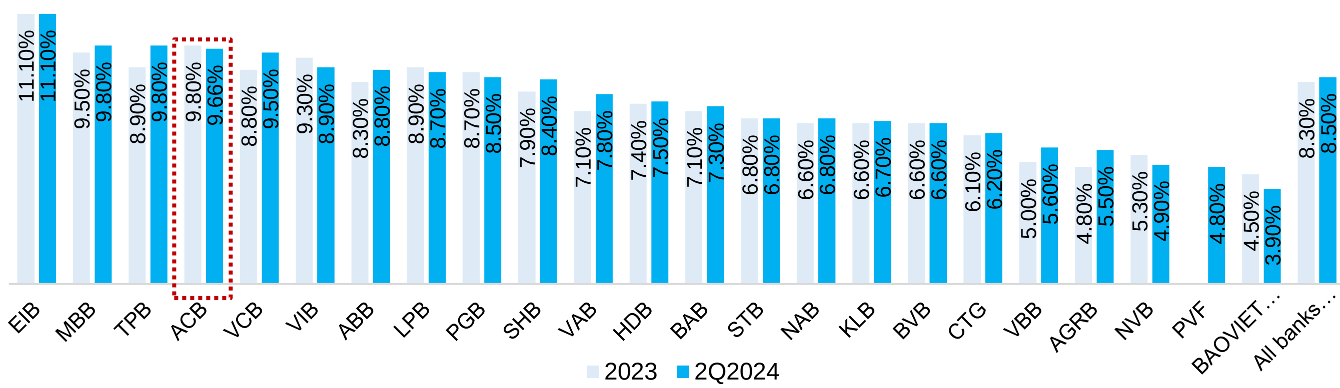
ACB’s capital buffer is assessed as appropriate for its scale of operations. As of June 30, 2024, ACB’s CAR stood at 11.8%, ranking 3rd among commercial banks of similar size (VPB: 15.6%, TCB: 14.5%, and MBB: 11.1%). Even though this ratio decreased from 12.5% at the end of 2023 due to the increase in chartered capital for its subsidiary – ACBS to expand operations, a 10% cash dividend payment to shareholders, and increased Tier 2 capital investments (mainly in bonds from financial institutions), ACB continues to maintain its CAR at a safe level, comparable to the industry average over the same period. Since the Bank completed all three pillars of Basel II (2019) to date (1H2024), the Bank has consistently maintained a CAR ratio of 11.1% - 12.8%, higher than the industry median of 10.4% - 12.3%. Additionally, according to the Bank’s CAR report, ACB has consistently maintained its Tier-1 capital/Total equity ratio at approximately 100% over the years, contrary to the declining trend observed in banks of similar size. Therefore, with its target of growing charter capital by 15% annually over the 2024-2028 period, along with superior profit margins compared to the industry average, and proactive capital management measures, ACB is expected to strengthen its capital buffer and maintain its CAR in the range of 12-13% over the coming years (2024-2026). Besides, ACB's leverage ratio, measured as total assets divided by equity, has steadily declined from 12.5 times in YE2022 to 10.3 times as of June 30, 2024. This ratio is appropriate compared to other banks of similar size and remains lower than the industry average (1H2024: 11.8 times). FiinRatings expects the leverage ratio to further decrease in 2024, given the Bank’s relatively abundant capital base, with projections of it declining from 9.3 times to 7.2 times during the 2024-2026 period.

Exhibit 17: Capital adequacy ratio (‘CAR’) for Vietnamese commercial banks (2023 – 2Q2024)



Source: FiinRatings, ACB
Note: Some commercial banks have not announced 1H2024 reporting data at the time of reporting

Exhibit 18: Tier-1 capital ratio (FiinRatings-adjusted) for Vietnamese commercial banks (2023 – 2Q2024)



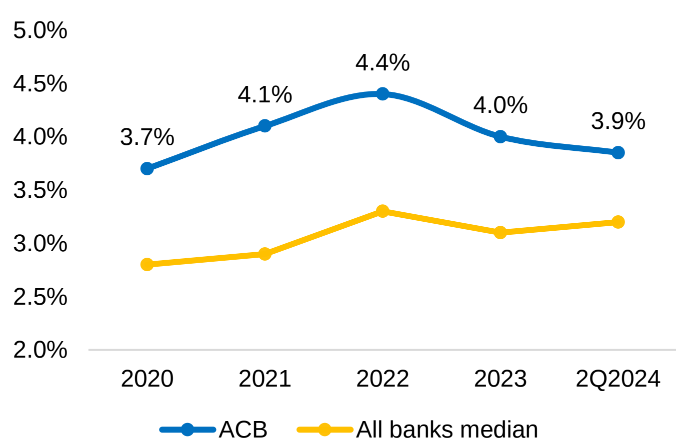
Source: FiinRatings, ACB

Earnings: Strong

ACB's profitability is assessed as 'Strong', evidenced by the Bank's outstanding profitability indicators such as NIM, and ROA, supported by a strategy targeting high-margin customers and effective cost management.

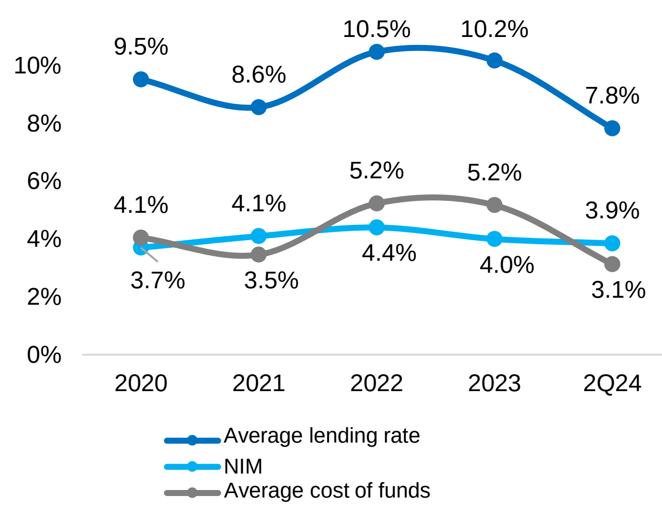
ACB's strong profitability is driven by two factors: a high-yielding loan portfolio and a well-managed and stable cost structure. The Bank's high-yielding loan portfolio stems from its strategic focus on lending to retail customers (accounting for 65% of total loans as of 2Q2024) with interest rates ranging from 8% to 12%, followed by SMEs (27% of total loans as of 2Q2024) with interest rates from 8% to 11% and MMLC (8% of total loans as of 2Q2024) with interest rates between 7% and 9% during the 2022-2Q2024 period. Thanks to these factors, ACB's NIM was consistently maintained at 4% during this period, significantly higher than the industry median of 3.0%. In addition, amidst the overall declining interest rate environment in the first half of 2024, the Bank's NIM slightly decreased to 3.9% from 4% at the end of 2023. This outcome was mainly caused by ACB's flexible interest rate lending strategy, which adjusts lending interest rates based on customers' contribution to non-interest income, allowing the Bank to stay competitive with other banks, expand its customer base, and support clients facing financial challenges. Nonetheless, with the advantage of appropriate lending rates and its ability to raise funds at low costs primarily from individual deposits (the average funding cost was 4.1% during 2020-1H2024 compared to 5.0% of the industry average), we expect ACB's NIM to remain stable at 3.5%-4.0% during 2024-2026, supported by recent positive macroeconomic recovery signals and the SBV's policies to promote credit growth.

Exhibit 19: ACB's NIM vs industry median (2020-2Q2024)



Source: FiinRatings, ACB

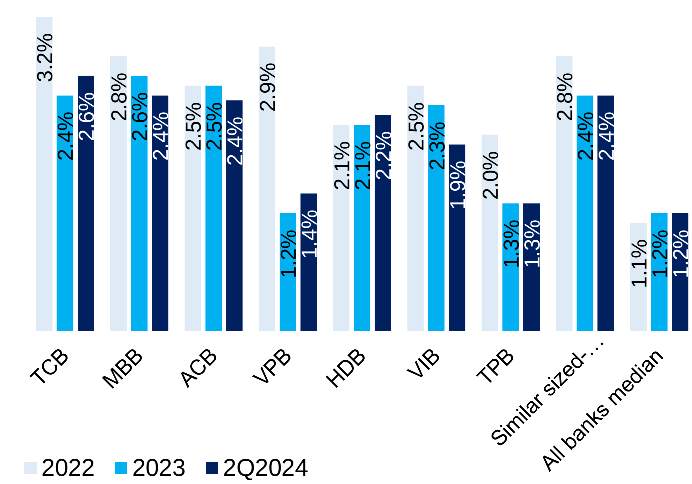
Exhibit 20: ACB's NIM, average cost of funds and average lending interest rates (2020 – 2Q2024)



Source: FiinRatings, ACB

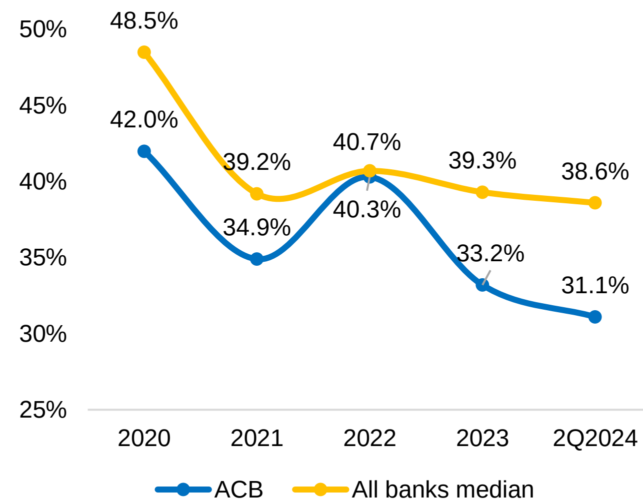
As of the end of 2Q2024, the Bank recorded strong profitability with a return on assets (ROA) of 2.3%, ranking 3rd in the sector, surpassing the median of commercial banks of the same size and retail-focused banks (Exhibit 21). In addition, ACB's effective cost management strategy has contributed to maintaining its ROA at a higher level than the industry average, as reflected in the Bank's cost-to-income ratio (CIR), which has decreased significantly from 42.0% at the end of 2020 and stabilized at around 31.1% as of June 30, 2024, lower than the industry median of 38.6% (Exhibit 22). The efficiency in managing operating costs, including the implementation of the transfer of important processes to the cloud platform, has played an important role in reducing operating costs, thereby increasing ACB's ROA compared to the industry average. Besides, ACB's prudent risk management practices have contributed to a stable and low provision for credit losses, driving ACB's leading ROA in the industry. FiinRatings believes that with superior profitability and the advantage of digital transformation, the Bank will continue to manage operating costs effectively (CIR stabilizing at 30%-33%), as well as well-managed assets to minimize the provision for credit losses. As a result, ACB will continue to sustain its ROA of over 2.0%, maintaining its leading position in the industry during the period 2024-2026.

Exhibit 21: ROAA of ACB compared to selected banks



Source: FiinRatings, ACB

Exhibit 22: ACB's CIR versus industry median (2020–2Q2024)



Source: FiinRatings, ACB

Under the base-case scenario, ACB is expected to sustain strong profitability during the 2024-2026 period, even under conditions of slower-than-expected economic recovery. FiinRatings expects the Bank's profit to reach VND 17.2 trillion in 2024, driven by the improvement in net interest margin thanks to well-controlled credit costs, funding costs, and operating expenses. In our low-case scenario for 2024-2026, assuming credit growth is capped at 14%, and non-performing loan (NPL) increases sharply, while funding costs and operating expenses reach historical highs, ACB still posts a net profit during this period. The Bank's resilience in terms of profitability under the pressure of rising provisioning expenses will be one of the key monitoring factors in the next credit rating surveillance.

Risk Position (+2)

FiinRatings assesses ACB's risk position as "Very Strong" and makes 2 notches adjustment upward from the banking sector anchor, reflecting the Bank's highly conservative risk appetite. This is demonstrated through (i) the Bank's lending and investment policies, which are more prudent compared to its peers, (ii) a retail customer base with relatively low risk concentration, (iii) a credit growth strategy that prioritizes asset quality, and (iv) outstanding debt recovery and non-performing loan (NPL) ratios compared to other retail lending banks. In the context of a slower-than-expected economic recovery, we believe that the Bank's outstanding asset quality, along with its comprehensive risk management, will support its risk position and remain a key focus in upcoming credit rating surveillance.

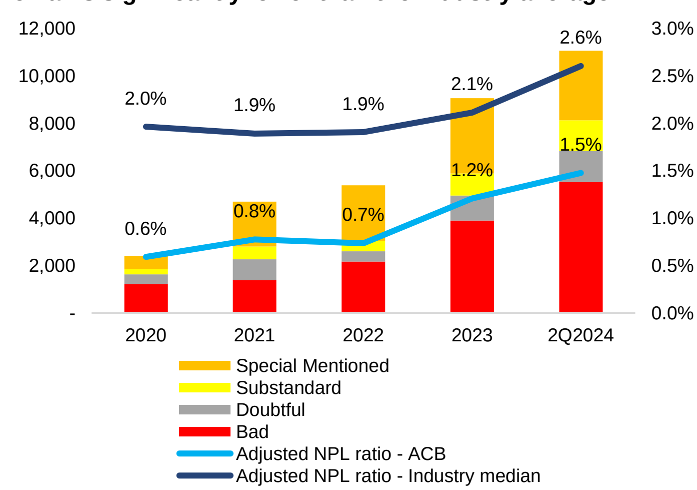
Risk appetite

ACB has a highly conservative risk appetite compared to banks of similar size, demonstrated in the Bank suffering minimal impact from events related to corporate bonds (ACB's investment portfolio has no corporate bond) and the real estate development sector during the 2022-2023 period (exposures to developers account for less than 4% of the Bank's loan book). Additionally, ACB's loan portfolio has relatively low concentration risk, thanks to its diverse retail customer base. The corporate loan portfolio of the Bank primarily targets small and medium-sized enterprises (SME) across various industries. FiinRatings believes that the Bank's current low risk appetite is appropriate given the challenges in the retail sector's recovery in the near future, as well as its comprehensive risk management *(detailed under the Risk management section)*.

Growth strategy

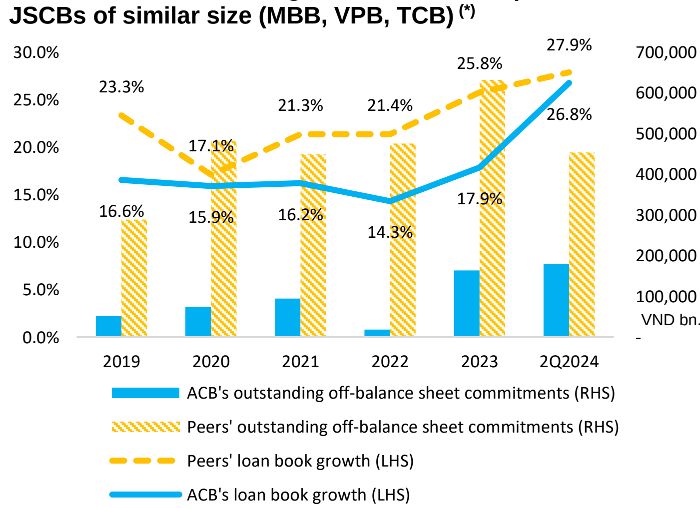
In our overall assessment, we note that ACB's on-balance sheet credit growth in recent years has been higher than the industry average yet more stable relative to other joint-stock commercial banks of similar size. Specifically, during the period 2019 to Q2 2024, ACB's 5-year compound annual growth rate (CAGR) was 15.4%, with volatility among the lowest in the industry (21.7% compared to TCB: 56.8%; VPB: 45.3%; and MBB: 25.1%). FiinRatings believes that the Bank's planned loan book growth of 14-16% during 2024-2026 is suitable with regards to the uptrend in non-performing loans (NPLs) and ACB's overall risk appetite, especially given uncertain macroeconomic recovery prospects and the sector-wide increase in NPLs. Although ACB's NPL ratio has risen in the past two years, this is in line with the broader industry trend, as macroeconomic conditions have significantly impacted the retail and SME sectors. Regarding bond investments, ACB's conservative risk appetite is also reflected in its portfolio, with the majority consisting of government bonds (50% of the portfolio as of June 30, 2024) and credit products from other credit institutions (40% of the portfolio as of June 30, 2024), with no corporate bond exposure. We expect little change in ACB's bond portfolio makeup in 2025-2026.

Exhibit 23: ACB's NPL ratio has been trending upwards but remains significantly lower than the industry average



Source: FiinRatings, ACB

Exhibit 24: ACB's credit growth is safer compared to other JSCBs of similar size (MBB, VPB, TCB) (*)



Source: FiinRatings, ACB

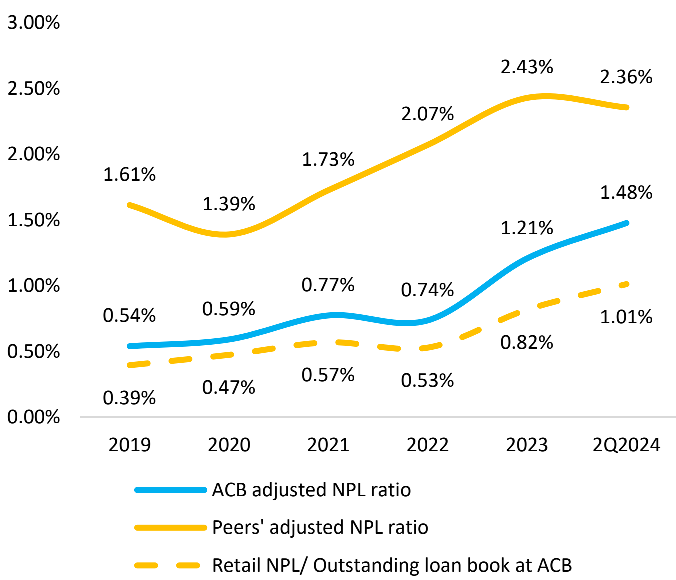
(*): Off-balance sheet credit is calculated based on outstanding balance, while on-balance sheet growth is calculated using the 5-year compound annual growth rate (CAGR) to eliminate the abnormal impact of 2Q2024.

In terms of off-balance sheet activities, ACB's outstanding balance, as well as its growth, remain the lowest among joint-stock commercial banks (JSCBs) of similar size, reaching VND 179.2 trillion as of June 30, 2024, significantly lower than the group's median of VND 453.2 trillion at the same time. Of this, ACB's foreign exchange transaction commitments accounted for around VND 153 trillion (up 13% compared to the end of 2023), primarily from swaps with large domestic banks such as Vietinbank, MBBank, Sacombank, which FiinRatings considers safer as they are regarded as secured loans. We expect ACB's off-balance sheet credit activities to grow more strongly in the short to medium term (2024-2026), driven by a strategic shift towards lending to large corporations (MMLCs) to tap into ecosystems and increase non-interest income. Nevertheless, FiinRatings assesses that the credit risk from these off-balance sheet activities will remain under control, as the main growth drivers will be letter of credit (L/C) services for import-export, which carries lower risk compared to international payment services and foreign exchange transactions (which contribute 27% and 11%, respectively, to the Bank's non-interest income), supported by ACB's independent underwriting center (with its current non-performing balance at almost 0). **Overall, we believe ACB's asset quality will not face significant pressures from its growth strategy in the short to medium term.**

Loan portfolio structure

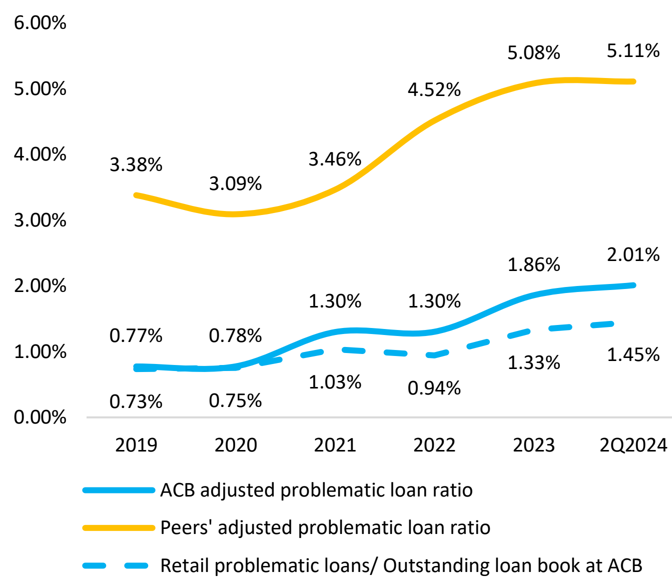
In detail, ACB's risk appetite is also reflected in the Bank's loan portfolio, which includes individual and corporate customer segments. Since its inception, ACB has maintained a relatively consistent lending strategy, focusing on individual customers (accounting for more than 60% of total loans) and only recently shifting towards corporate customers (accounting for the remaining portion of total loans). As of June 30, 2024, ACB's non-performing loan (NPL) ratio (before CIC, including credit cards) stood at 1.36%, with NPL ratio for retail customers at 1.35%, SMEs at 1.32%, and MMLCs at 1.64%.

Exhibit 25: ACB's non-performing loan (NPL) ratio compared to banks of similar size (2019 – 2Q2024)



Source: FiinRatings, ACB

Exhibit 26: ACB's problematic loan (NPL + SML) ratio compared to banks of similar size (2019 – 2Q2024)



Source: FiinRatings, ACB

We assess ACB's individual customer base as relatively low-risk, based on (i) good financial capacity (monthly income ranging from VND 20-40 million for office employees and over VND 100 million for affluent customers), (ii) non-speculative demands, with 50% of outstanding loans for business purposes, 30% for mortgage, and 20% for consumer finance, and (iii) a high proportion of loans are secured, with over 98% of loans backed by collateral, 87% of which are tangible assets, mainly in the form of houses, apartments (for home purchases), residential land, or factories and equipment (for business loans). Thanks to the relatively low-risk appetite for individual customers, ACB maintains a lower non-performing loan (NPL) ratio (1.5%) and problem loans ratio (2%) compared to banks of similar size (1.6% and 2.8%, respectively), especially in the context of increased pressure on asset quality in the retail segment across the industry over the past two years.

Specifically, for each type of retail loan clientele, ACB has consistently demonstrated a cautious risk appetite with appropriate lending policies, such as:

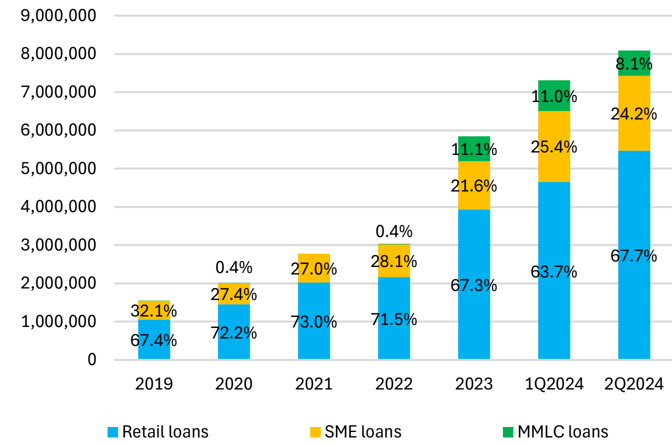
- **Loans for business purposes (NPL at 1.29% as of June 30, 2024):** With over 1 million customers in this segment, the Bank has been applying internal assessment and scoring systems, A-score and B-score, to issue credit risk warnings. Additionally, for owners of companies with outstanding credit at ACB, both the owner and their related company are assessed holistically when determining credit limits and foreclosure. Regarding specific credit limits, ACB complies with Article 136 of the 2024 Law on Credit Institutions, adhering to the limit of 14% of capital for each customer and 23% for related enterprises, with a plan to reduce these limits to 13% and 21% respectively, by 2026. In practice, the Bank's credit limits for loans for business purposes are much lower than regulatory requirements, with the top 20 retail clients accounting for only 0.2% of outstanding loans, and over 99% of these loans are secured by real estate. FiinRatings expects the proportion of this customer segment to increase in ACB's personal loan portfolio during 2025-2026, but without negatively impacting the Bank's overall risk profile due to (i) the majority of borrowers being affluent individuals (earning over VND 100 million per month) with strong financial capacity and (ii) macroeconomic recovery and pro-growth stimulus policies will come into play over the next two years, which will strengthen businesses and reduce CIC bad debt pressures, which currently contributes to about one-third of ACB's NPL growth.
- **Home purchases (NPL at 2% as of June 30, 2024):** In addition to the internal assessment and scoring system used for business loans, ACB also imposes a VND 10,000 billion limit on housing loan projects to reduce asset quality pressure. For real estate developers, ACB neither focuses on ecosystem lending nor finances small projects without clear legal status and proven track record. The ticket size currently does not exceed VND 150 billion, while the limit customer-wise is VND 230 billion. During the loan appraisal and approval process, the Bank also selects for disbursement purposes, prioritizing customers who are buying homes for personal use and avoiding speculators. Additionally, ACB limits home purchases loans where the purchased home is used as collateral at about 8% of the home purchases loan book, further reducing credit risk in its portfolio.
- **Consumer loans (NPL at 1.4% as of June 30, 2024):** ACB does not provide unsecured loans outside of credit cards, which are offered alongside payroll services for businesses. In late 2023 and early 2024, the Bank has proactively reduced disbursements for unsecured personal loans to protect its asset quality. Within ACB's ecosystem, all margin loans at ACBS are secured and classified as performing (Group 1), with over 90% of the company's financial assets consisting of government bonds and deposits. Additionally, ACB does not lend to ACBS and hence no exposure. The proportion of consumer loans is expected to decrease to 11% of personal loans as part of the Bank's medium-term strategy. Over the medium term, FiinRatings expects the asset quality of this customer segment to be maintained, as the Bank has no plan to expand into the unbanked or subprime customer segments.

Within ACB's corporate customer segment, small and medium-sized enterprises (SMEs) currently account for over 80% of its corporate loan structure. However, this structure is expected to shift in the short and medium term towards MMLCs, driven by the Bank's strategy to penetrate the market of large enterprises, which has been implemented over the past year.

For the small and medium-sized enterprise (SME) segment, despite facing increasing NPL pressure in the first half of 2024, ACB has maintained prudence in its risk appetite for this customer group. Given the uncertainties of macroeconomic recovery so far, ACB has implemented measures to support its SME clients, such as refinancing with more competitive interest rates, helping stabilize cash flow, and debt restructuring under Circular 02 (restructured loans accounted for 0.33% of SME loans as of June 30, 2024). However, in terms of problematic and non-performing loans for this segment, FiinRatings expects the downward trend observed since 2023 to continue, in parallel with the Bank's strategy of expanding into the MMLC segment. The loan portfolio for SMEs faces subdued concentration risk, being distributed across less speculative sectors such as wholesale and retail (46%), manufacturing (27%), construction (17%), and transportation and warehousing (3%). In the short term, ACB's development strategy is also oriented toward less volatile sectors like construction, healthcare, and logistics, primarily to raise non-interest income from activities such as underwriting and fee income from international transactions. When lending, the Bank consistently maintains a loan-to-value (LTV) ratio below 90%, which can rise to 70-80% for collaterals other than land, such as vehicles, equipment, and factories. We consider policy to be prudent, as the Bank's collateral is systematically selected for real estate, high-liquidity vehicles, and/or future assets such as equipment and factories, with regular reevaluation of their value, liquidity, and cash flow. ACB's conservative risk appetite for SMEs is also reflected in its asset quality, with an NPL ratio of 1.4% as of June 30, 2024, lower than the Bank's overall NPL ratio of 1.5%.

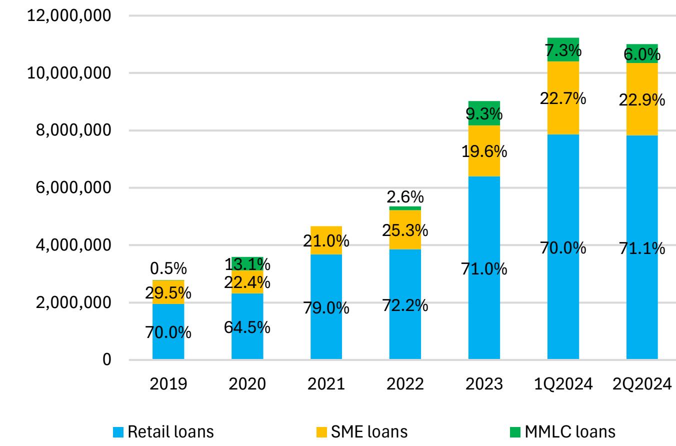
FiinRatings expects the NPL ratio of this segment to fluctuate between 1.3% and 1.36% in the short and medium term, potentially exceeding 1.4% if exposed to risks from the MMLC segment.

Exhibit 27: Non-performing loans breakdown by customer segment of ACB (2019 - 2Q2024)



Source: FiinRatings, ACB

Exhibit 28: Problematic loans breakdown by customer segment of ACB (2019 - 2Q2024)



Source: FiinRatings, ACB

With the ongoing strategy to expand into the MMLC segment, which is expected to continue in the near future, **FiinRatings expects ACB's asset quality to face increased pressure**. As noted previously, the Bank's overall non-performing loan (NPL) ratio has shown an upward trend over the past year, coinciding with the strategy of expanding into the MMLC segment. From late 2023 to the first half of 2024, loan balances for this customer group increased by 38%, and alongside this, its NPL ratio also surged from around 0.4% to 8.1% of total NPL. This increase is a result of ACB's efforts to leverage ecosystems and supply chain lending to large corporate customers. Specifically, the Bank has been targeting leading companies, with revenues of VND 800 billion or more, (i) within key development industries related to production, such as industrial real estate, or (ii) those with factories or plants in sectors like steel, textiles, plastics, and energy, with each industry accounting for no more than 12-15% of the large corporate loan portfolio. We evaluate ACB's criteria for selecting businesses as highly selective, focusing on production sectors rather than trading, with lower speculative elements.

On the other hand, capital intensity, volatility, and high growth rates are the main factors that will affect the credit quality of this customer segment. The volatility risk has already been reflected in the current non-performing loan (NPL) ratio for this group, with most NPLs concentrated in the steel sector, which experienced significant fluctuations in 2023. The current NPL ratio in this sector is 1.6% of the total corporate loan portfolio, and we expect the associated risk from this sector to remain low, as the majority of NPLs are linked to just one client in the industry. However, we assess that the risk from this entity will not be substantial due to: (i) The actual loan balance for large corporate lending in general, and the steel sector specifically, still accounts for a relatively small portion of the overall credit portfolio, and (ii) There is no potential off-balance sheet risk, as the client is not subject to any debt restructuring plans.

Regarding growth, we expect the high growth rate of outstanding loans to MMLCs (approximately 40% in the first half of 2023) to be sustained in the medium term at around 25-30% per annum, increasing its share of corporate loans to 27% over the next three years (compared to 22% as of June 30, 2024). This growth rate is part of ACB's strategy to expand into large corporations, aiming to leverage their relationships with small and medium-sized enterprises and retail customers within the ecosystems and supply chain of said groups. FiinRatings believes that credit growth within these ecosystems could introduce interconnected risks, as the Bank may have less control over the selection of subsidiaries within these groups (especially project companies) in order to maintain relationships with key clients. This could lead to an increase in NPLs among SMEs. As a result, we expect the asset quality of large corporate clients to reach internal limits, with NPLs potentially rising to 2% of the MMLC loan portfolio.

Risk management

As one of the banks ranked in the highest group by the SBV according to CAMEL, ACB builds, manages, and monitors its risk indicators in compliance with regulations outlined in various circulars, such as Circular 41, Circular 11, Circular 07, and Circular 22, throughout its business operations. In practice, the Bank's internal criteria for risk control are more cautious than regulatory requirements, and FiinRatings considers the Bank's risk management framework to be relatively comprehensive, with a well-structured and transparent governance system.

Exhibit 29: Internal Risk Management Indicators at ACB

Indicators	Risk thresholds		Notes
	SBV thresholds	**Risk management**	
CAR target	8%	8.5%	
Return on Equity	N/A	15% - 25%	
Return on Risk-Weighted Assets	N/A	2%	
Risk-Adjusted Return on Capital	N/A	25%	*According to Circular 13*
Credit risks			
NPL ratio	N/A	3%	*According to Circular 11*
Non-performing credit ratio	N/A	3%	*Includes both on-balance sheet and off-balance sheet credit*
Market risks			
Foreign currency position	≤+/-20% Vốn tự có	≤+/-20% core capital	*According to Circular 07 and 38*
Credit limit	N/A	≤6% liabilities	*According to Circular 13*
Loss limit	N/A	≤1.5% core capital	*According to Circular 13*
Liquidity risks			*According to Circular 22*
Highly liquid assets to total assets ratio at the end of each quarter	N/A		
Short-term funds used for medium- and long-term lending	≤ 30%	≤ 30%	
Top 10 customer deposits by balance	N/A		
Outstanding loans to total deposits	≤ 85%	≤ 85%	
Loans to primary market deposits	N/A	≤ 100%	
Solvency ratio	VND: ≥ 50%	VND: ≥ 50%	
	USD: ≥ 10%	USD: ≥ 10%	

Source: FiinRatings, ACB

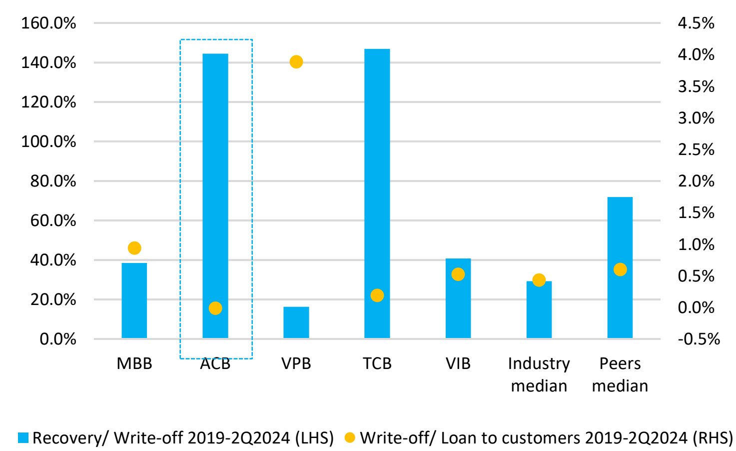
From a credit risk perspective, the Bank has implemented an internal credit rating system for each customer segment, involving the collection of customer financial history, analysis of both qualitative and quantitative data, and the rating of customers based on their repayment capacity. Additionally, ACB is collaborating with an independent consulting firm to develop an internal rating approach aligned with Basel III (F-IRB) standards, aiming to synchronize customer credit risk classification, credit granting, risk-based pricing for each customer, and credit portfolio management in line with international best practices adopted by major financial institutions worldwide. After the credit approval phase and during disbursement, ACB follows two procedures to assess the change in customers' repayment capacity: (i) SBV regulations on credit limits for individual customers and related parties, and (ii) internal warning thresholds (green – yellow − red) that are established based on the industry and sector of the borrower, and type of collateral. ACB evaluates collateral based on market value in accordance with the guidelines of the Vietnamese Valuation Standards, adjusted to the Bank's risk appetite.

Loss experiences and loss mitigation strategies

During the period from 2023 to the first half of 2024, the Bank witnessed a rapid increase in its non-performing loan (NPL) ratio (from 0.7% at the beginning of 2023 to 1.2% by year-end and 1.5% by mid-2024), while the NPL and problem loan coverage ratio sharply declined (from 159.3% at the start of 2023 to 91.2% by year-end and 77.8% by mid-2024). This was attributed to the Bank's decision not to proactively write off bad debt and the reversal of provisions for restructured loans under Circular 02, following ACB's intensified debt recovery efforts (Exhibit 32). Regarding the risk from restructured loans under Circular 02, with a balance of VND 1,312 billion (accounting for 0.24% of total customer loans) as of June 30, 2024, FiinRatings assesses that these loans have not yet had a significant impact on asset quality and are unlikely to experience a sudden increase, given the Bank's strict risk monitoring and management procedures. Therefore, in regard to ACB's NPL and problem loan coverage ratios, we assess that the decline does not yet pose a major risk to the Bank's asset quality. Additionally, these coverage ratios are calculated after deducting the actual value of the collateral. Therefore, with ACB's loan portfolio having an average loan-to-value (LTV) ratio of over 58%, of which 98% of loans are secured by collateral, the entire non-performing portion of its portfolio should be adequately covered with only ~50% provisions. In the medium term, **we expect ACB's coverage ratio to fluctuate between 60-70%, taking advantage of asset quality and the LTV ratio to optimize profitability**.

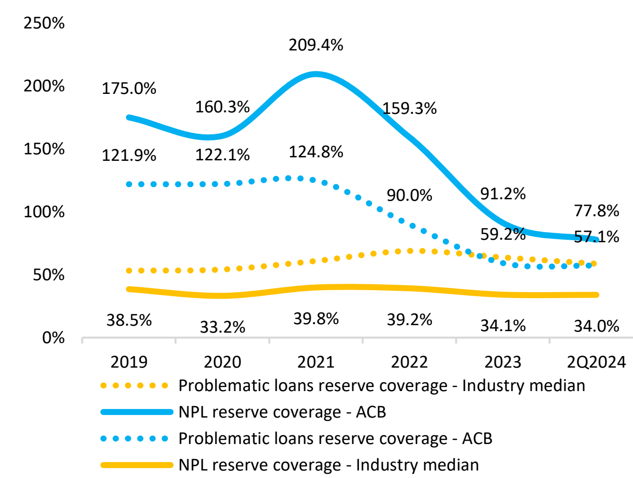
Currently, ACB has no plans for a complete write-off of bad debt. When referring to using provisions to manage risks, ACB will handle them in accordance with Circular 31 and Decree 86. The write-off ratios for 2022, 2023, and the first half of 2024 were 0.3%, 0.3%, and 0.03% of the loan portfolio, respectively, with little impact on business performance. FiinRatings projects that the write-off balance will remain small in the near future. As previously mentioned, with an average LTV ratio of over 58% and more than 98% of loans secured by collateral (87% of which are tangible assets, excluding stocks, warrants, and future assets), we expect ACB's ability to recover and manage bad debt will remain strong in the short to medium term.

Exhibit 30: ACB's strong debt recovery rate in the period 2019 - 2Q2024



Source: FiinRatings, ACB

Exhibit 31: ACB's bad debt and problem debt coverage ratio declined in 2022 - 2Q2024



Source: FiinRatings, ACB

Accordingly, the debt settlement and recovery procedures for customers at ACB include detailed plans for each scenario, as follows:

- ACB closely monitors customers from the time of disbursement until the liquidation of the loan.
- Regarding recovery procedures, the Bank does not only act when customers have non-performing loans (NPLs) but also as soon as overdue debt occurs. During the credit limit granting process, if a customer incurs NPL per CIC records, the Bank will reassess the customer's financial capacity. Additionally, ACB does not further disburse to customers whose debts are already non-standard.
- Depending on the specific customer, ACB applies flexible and thorough debt settlement measures (such as pressing for payment, liquidating collateral, selling debt, offsetting debt, filing lawsuits, or enforcing legal judgments) with the goal of quickly recovering capital and ensuring the quality of ACB's loan portfolio.

Funding and Liquidity (+1)

ACB's funding and liquidity position is rated 'Strong' due to the Bank's diversified capital structure and its focus on more stable funding sources compared to the industry average. The Bank is expected to maintain a high level of stable funding by leveraging its leading position as a retail bank with a high-quality and stable customer base, thereby strengthening its liquidity and meeting future funding needs.

Funding

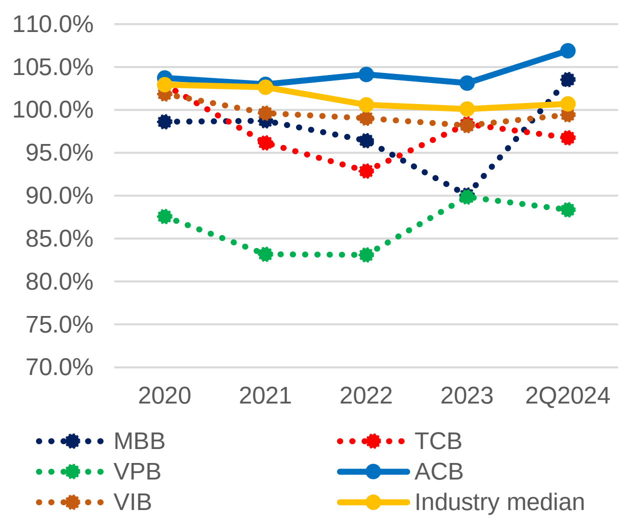
FiinRatings assesses ACB's funding capability as 'Strong' based on the Bank's ability to diversify its funding structure, with a large proportion of stable funding sources, demonstrated by recent increases in the stable funding ratio (FiinRatings-adjusted) and Long-term funding ratio, both consistently maintained above the industry median

ACB's capacity to meet funding needs through stable funding sources (including customer deposits, chartered capital, long-term interbank, and other long-term debts) has remained significantly higher than the industry median. This is reflected by the continuous improvement of its stable funding ratio over the years, which consistently exceeded the industry median during the 2020-2Q2024 period, averaging 104.5% compared to 101.4% of the industry median, placing ACB as a leader among similarly sized commercial banks (Exhibit 33). Additionally, the Net Stable Funding Ratio (NSFR) as reported by the Bank has been continuously maintained above 100% according to Basel III standards. This strong performance is attributed to ACB's proactive focus on developing suitable products and services that enhance customer engagement, thereby increasing and stabilizing customer deposits at ACB, while also strengthening its ability to raise funds from both domestic and international markets, leading to growth in stable funding sources. Specifically, for each type of funding source:

- Customer deposits: As of June 30, 2024, ACB's customer deposits increased by 6.0% compared to year-end 2023, reaching over 511.7 trillion VND. This demonstrates stable growth and represents a significant portion of the Bank's total funding at 66.5% (higher than that of other commercial banks of similar size such as TCB: 53.1%, VPB: 54.5%, MBB: 62.6%, or retail-focused banks like VIB: 57.5%). To maintain this stable customer deposit base, ACB has implemented tailored business strategies for different deposit types. For term deposits, the Bank has developed various packages and services catering to diverse customer segments, including the "Phuc An Loc" savings, "Gia Dinh Viet" package, "Tich Luy Tuong Lai" savings, and online savings. For demand deposits, ACB aims to increase its CASA by increasing working capital from individual customers, who are also business owners (currently accounting for 50% of retail lending), leveraging cross-selling products with subsidiaries, and developing value chain lending for individual customers. ACB currently ranks 6th in the industry in terms of CASA ratio, standing at 19.1% as of 2Q2024. Additionally, the Bank has maintained a higher growth rate in total customer deposits compared to the industry average in recent years (2021-2Q2024) thanks to its retail lending strength (ACB: 9.8%, industry average: 6.1%). ACB has a plan to increase stable funding through customer deposits by leveraging its strong retail customer base with good credit history and expanding its corporate customer base to optimize value chain lending and solidify the sustainability of its retail customer base, which is the Bank's strength, with an annual growth target of 12% over the 2024-2026 period. We believe this target is aligned with the Bank's historical growth and current customer deposit mobilization capacity.
- Shareholders'equity: ACB's shareholders' equity increased by 5.4% in 2Q2024 compared to the end of the year 2023, reaching 9.7% of total funding. This growth was underpinned by the Bank's solid profitability, enhancing its funding position despite the dividend payout in the first half of 2024 (comprising a 15% stock dividend and a 10% cash dividend). Given the Bank's target of a 15% annual increase in charter capital, its superior profitability relative to industry peers, and proactive funding management measures, we believe that ACB can continue bolstering its capital buffer and make an important contribution to maintaining the Bank's funding structure.
- Wholesale funding and other long-term liabilities: ACB's long-term funding, including wholesale funding, has been steadily increasing, contributing 4.3% to total funding in 2Q2024 (compared to 3.0% at the end of 2023). This growth is attributed to the successful issuance of long-term bonds with maturities ranging from 2 to 5 years and interest rates between 6.1% and 6.5% during 2023-1H2024. Over the past five years, funding from

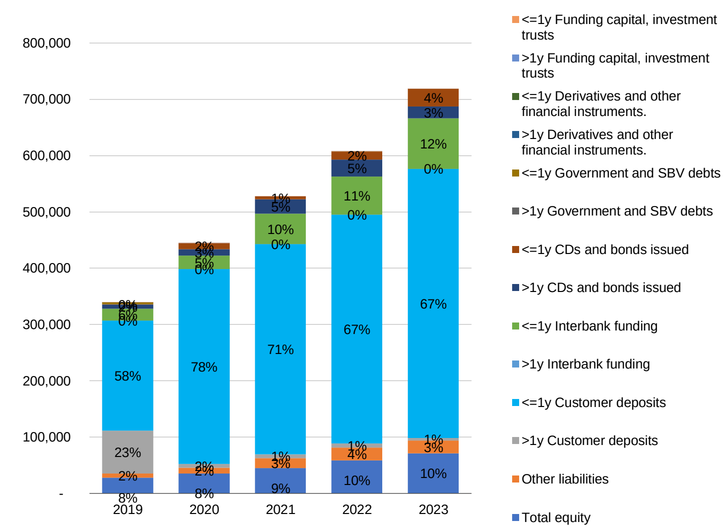
valuable papers accounted for a smaller portion of the Bank's total funding, typically around 7-8%. In the upcoming years (2024-2026), ACB aims to increase this proportion to 12-15% to optimize its average cost of funds as well as the residual maturity of the Bank's funding composition, in line with the orientation of continuing to be a medium and long-term funding sources, helping to stabilize the funding source for the Bank's business operations at a reasonable cost of funds. While ACB is increasing its reliance on wholesale funding, as evidenced by the rise in the ratio of short-term wholesale funding to total funding base from 21.9% in 2020 to 23.1% as of June 30, 2024, ACB still maintains a lower ratio compared to the industry median and prioritizes long-term funding.

Exhibit 32: ACB's stable funding ratio adjusted by FiinRatings compared to selected peers



Souce: ACB, FiinRatings

Exhibit 33: ACB's Funding composition by residual maturity (Unit: VND billion)



Souce: ACB, FiinRatings

Furthermore, the average funding cost has been consistently lower than the industry median and has improved over the years. Specifically, the average funding cost stood at 4.1% during the 2020-2Q2024 period, significantly lower than the industry average of 5.0% during the same period. The average funding cost in 2Q2024 was 3.9%, lower than the previous year (2023: 4.9%) and below the industry average (5.0%). This result is due to the plan to grow and maintain the proportion of current accounts and savings accounts (CASA) in total customer deposits, with the CASA ratio remaining significantly higher than the industry average and compared to other banks of similar size during the 2020-2Q2024 period (ACB: 20.6%, industry average: 11.2%). Additionally, the recent decrease in customer deposit interest rates, along with the downward trend in overall deposit interest rates in the banking industry and the mobilization of low-cost funds from the interbank market, has also supported the improvement trend in the average funding cost. FiinRatings expects the Bank to continue maintaining this ratio below the industry average in the coming period 2024-2026.

Exhibit 34: ACB's long-term funding ratio compared to the industry median

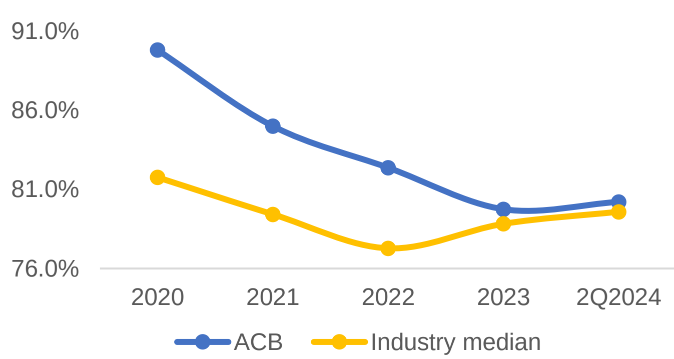
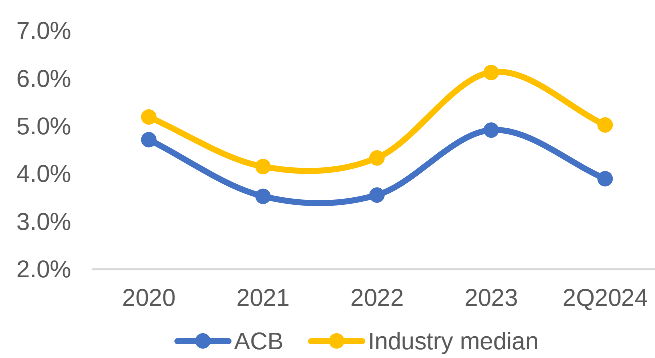


Exhibit 35: ACB's average cost of funds compared to the industry average



Source: ACB, FiinRatings *Source: ACB, FiinRatings*

In the coming period of 2024-2026, ACB continues to aim to maintain the stable funding ratio in its capital structure and plans to maintain a diversified funding source to optimize funding costs. For customer deposits, ACB aims to increase stable funding sources by leveraging its strong retail customer base with good credit history and expanding its corporate customer portfolio to improve value chain credit and bolster the sustainability of its individual customer base, which is the Bank's strength, with a target of 12% annual growth. Additionally, medium- and long-term wholesale funding (especially the issuance of bonds), with a recent upward trend, along with relatively stable growth in equity, is expected to continue to contribute significantly and help strengthen ACB's stable funding. According to our forecast, ACB's Stable Funding Ratio will continue to be maintained at over 100%, demonstrating the Bank's outstanding funding capacity compared to the industry average and strengthening its relatively solid liquidity position.

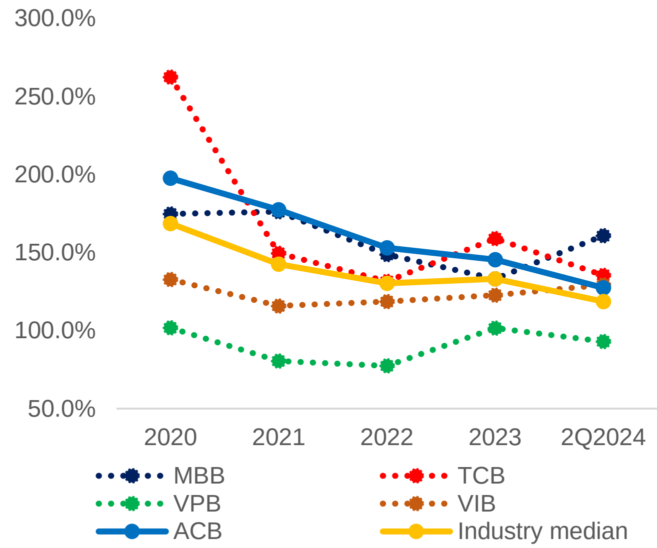
Liquidity

Supported by its robust funding capability compared to the industry average, ACB's liquidity position is assessed as "Strong", reflecting the Bank's short-term liquidity sources being sufficient to meet short-term funding needs, as well as a well-aligned liquidity contingency plan. Moreover, as one of the key joint-stock commercial banks in the banking system, ACB's liquidity position is further strengthened by the support of the State Bank of Vietnam (SBV) in past liquidity-related events, and this support is expected to continue in the future.

During the period 2020-2Q2024, ACB has consistently maintained a strong liquidity position, fostered by its outstanding funding capability, as reflected in liquidity ratios consistently higher than the industry median. Specifically, the ratio of Broad Liquid Assets to Short-Term Wholesale Funding has averaged 1.6 times (higher than the industry average of 1.4 times during this period). Additionally, the coverage ratio for on-balance sheet liabilities and off-balance sheet commitments in FiinRatings' stress test scenario (calculated as High Liquid Assets/(Financial Liabilities + Off-balance sheet commitments) ranged around 73.8%, above the industry median of 51.5%. Although this coverage ratio has shown a recent downward trend (63.1% in 2023 and 55.2% in 2Q2024), it remains above the industry average and places ACB at the top among its peers (Exhibit 38). In addition to its strong funding capability, the Bank's liquidity is also well-supported by its strategy of holding highly liquid assets, with government bonds representing a significant portion of its total assets (approximately 5.2 - 6.6% of Total Assets and 50-60% of its investment bond portfolio during the 2023-2Q2024 period). Bonds from financial institutions (FIs) also constitute a substantial share (40-50% of the investment bond portfolio during the same period). This strategy enables ACB to maintain good liquidity, due to the characteristics of government bonds as an asset with high liquidity, relatively stable market interest rates, good liquidity in the OMO market, and their suitability as collateral for borrowing and receiving support from the SBV when the Bank faces liquidity challenges. In the future, ACB aims to prioritize its government bond and FI bond portfolios as key investment assets to ensure its liquidity remains strong. We expect liquidity ratios to remain at a similar good level as present.

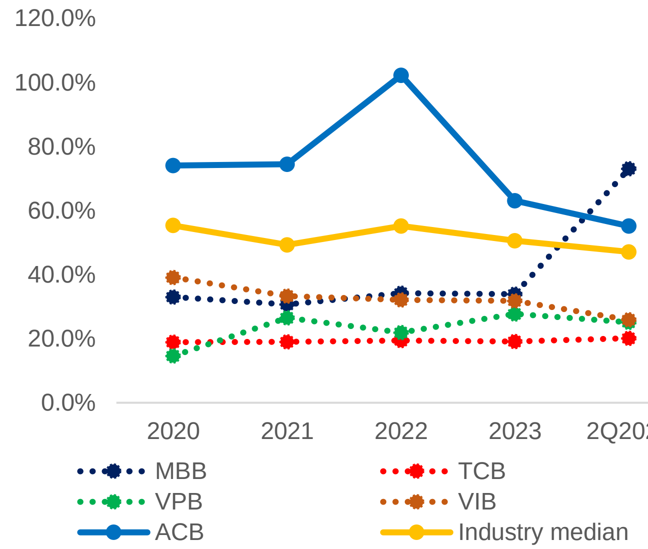
Under a stress scenario relating to the pressure from rising NPLs and limited fundings, we assess that ACB's short-term liquidity remains adequate to meet short-term capital needs, supported by the broad liquidity assets/short-term wholesale funding ratio fluctuating above 1.0 times during the period 2024-2026. Additionally, the stable funding ratio (FiinRatings-adjusted) in the stress scenario shows a slight decline, averaging 90%-100% over the same period, which is still within our risk tolerance limits.

Exhibit 36: ACB's Broad liquid assets to short-term wholesale funding ratio compared to other banks



Source: ACB, FiinRatings

Exhibit 37: ACB's Ability to cover financial liabilities and commitments compared to other banks



Source: ACB, FiinRatings

In addition, ACB has also established a comprehensive liquidity contingency plan, which details measures for detecting potential liquidity crises through early warning signs, based on (i) quantitative metrics such as liquidity risk limits and (ii) qualitative indicators, including scenarios such as dramatic declines in interbank funding or significant decreases in customer deposits. Upon a breach or early warning signs from quantitative and qualitative indicators, the Liquidity Safety Committee will be established, assess and propose or advise the General Director on whether or not to implement the next steps in the liquidity contingency plan. According to historical data used to determine stress testing scenarios, the largest decline in customer deposits at ACB was 12% during the 2011-2012 period and the most severe restriction imposed by credit partners on ACB was a reduction in transaction limits. As one of the largest joint-stock commercial banks (JSCBs) in Vietnam, ACB is among the 14 banks approved by the SBV as systematically important financial institutions in 2024. Historically, the Bank has received liquidity support twice during past bank runs in 2003 and 2012. FiinRatings expects such support to continue in the long term, mitigating the impact of rare liquidity events.

Overall, FiinRatings assesses ACB's funding and liquidity position as "Strong" compared to the industry average, demonstrated in its ability to diversify its funding base and strengthen stable funding sources. This has helped stabilize liquidity and reinforce ACB's leading position among private JSCBs in Vietnam. Additionally, the Bank's liquidity management is expected to remain strong despite rising pressures from NPLs in its lending portfolio and the slow economic recovery forecasted in 2024. Key elements such as ACB's funding structure, diversification strategy to reduce reliance on wholesale funding, and its ability to raise liquidity under stressed conditions are factors we will continue to monitor and update in ACB's credit profile.

RATING METHODOLOGY

The rating methodology explains FiinRatings approach to assessing credit risk of companies in Vietnam. This methodology is intended as a general guidance to help companies, investors, and other market participants to understand how FiinRatings looks at quantitative and qualitative factors significant in explaining rating outcomes in general and specific for each sector that we cover.

In addition, certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please follow the link below for the Rating Methodology and Related Criteria:

- Rating methodology for banks in Vietnam

Or refer to the following link for more details on the general ranking methodology:

- General Rating methodology

Credit Rating History

Company Name	Rating Type	Issue Date	Rating	Outlook
Asia Commercial Joint Stock Bank	Issuer Rating – Initial	10 September 2024	AA+	Stable

OWNERSHIP DISCLOSURE AND STATEMENTS

At the time of the publication, the following information is provided as required by current regulations and as a part of our compliance policies in providing credit ratings:

- ACB's percentage of equity ownership at FiinRatings: none**
- FiinRatings' percentage of equity ownership at ACB: none
- FiinRatings' other employee percentage of equity ownership at ACB: none
- ACB's investment value of bond(s) issued by FiinRatings: none
- FiinRatings' investment value of bond(s) issued by ACB: none
- ACB's investment value of other debt instruments issued by FiinRatings: none
- FiinRatings's investment value of other debt instruments issued by ACB: none

FiinRatings aforementioned includes FiinRatings JSC., its directors, Credit Rating Committee members, and analysts of FiinRatings engaged in this rating action. The information above was examined during the client acceptance process and before the signing date of the Credit Rating Agreement with the Company and was updated on the issue date of this report.

FiinRatings maintains a strict independence policy to meet current regulations in providing credit rating services in Vietnam as well as to comply with our conflicts-of-interest policy and to ensure objectivity and independence in giving opinions on our credit ratings. Accordingly, personnel directly participating in credit rating are not allowed to own or execute any transactions of securities, shares, or debt instruments issued by the Company once FiinRatings has established a credit rating relationship.

FIINRATINGS JOINT STOCK COMPANY

Public Credit Rating Announcement No.: 01-C47-2024

Nguyen Quang Thuan, FCCA

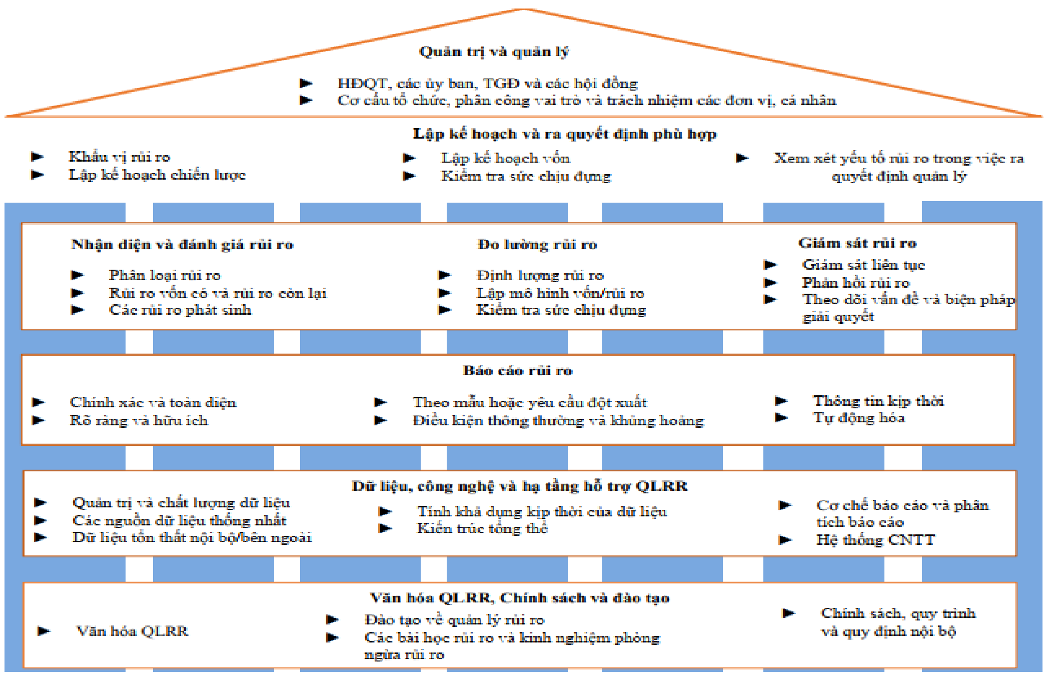
Chief Executive Officer

Hanoi, 10 September 2024

Appendix

Appendix 1: Risk management framework at ACB

Exhibit 38: Risk management framework at ACB



Source: ACB

Appendix 2: ACB's financial statement

Balance sheet (VND bn)	2020	2021	2022	2023	6M2024
Assets					
Cash, gold, silver and gemstones	6,968	7,510	8,461	6,909	6,594
Balances with SBV	16,617	32,350	13,658	18,505	15,725
Balances with and loans to other credit institutions (net)	31,671	49,819	85,971	114,874	105,419
Trading securities (net)	6,168	11,260	1,131	7,177	6,125
Derivatives and other financial assets	54	227	100	-	-
Loans to customers (net)	308,529	356,051	408,857	482,235	543,853
Loans to customers (gross)	*311,479*	*361,913*	*413,706*	*487,602*	*550,172*
Provision for loans to customers	*(2,950)*	*(5,862)*	*(4,850)*	*(5,367)*	*(6,319)*
Debt purchasing	-	-	-	-	-
Investment securities (net)	63,399	59,475	75,535	73,463	77,090
Capital contributions and long-term investments	99	172	147	140	129
Fixed assets	3,783	3,763	3,981	4,763	4,666
Investment properties	349	216	177	177	177
Other assets	6,893	6,929	9,858	10,552	9,901
Total Assets	**444,530**	**527,770**	**607,875**	**718,795**	**769,679**
Amount due to the Government and SBV	-	-	506	-	16
Deposits and borrowings from other credit institutions	23,875	54,394	67,841	89,507	93,761
Customer deposits	353,196	379,921	413,953	482,703	511,696
Derivatives and other financial liabilities	-	-	-	117	62

Funding, investment trust, and loan to credit institutions subject to risk	117	86	60	42	33
Valuable papers issued	22,050	30,548	44,304	52,410	66,953
Other liabilities	9,844	17,920	22,772	23,060	22,365
Total Liabilities	**409,082**	**482,869**	**549,437**	**647,839**	**694,886**
Capital	21,887	27,291	34,046	39,112	44,938
Fund of institutions	5,742	7,164	9,220	11,557	11,557
Foreign exchange differences	-	-	-	-	(253)
Retained earnings	7,819	10,445	15,172	20,286	18,550
Non-controlling interest	-	-	-	-	-
Total Shareholders' Equity	**35,448**	**44,901**	**58,439**	**70,956**	**74,793**
Total Liabilities and Shareholders' Equity	**444,530**	**527,770**	**607,875**	**718,795**	**769,679**

Source: FiinRatings, ACB

Income Statement (VND bn)	2020	2021	2022	2023	6M2024
Interest and Similar Income	31,856	33,714	40,699	52,347	24,462
Interest and Similar Expenses	(17,274)	(14,769)	(17,165)	(27,387)	(10,629)
Net Interest Income	**14,582**	**18,945**	**23,534**	**24,960**	**13,833**
Fees and Commission income	2,803	4,026	5,058	4,946	2,703
Fees and Commission expenses	(1,109)	(1,132)	(1,531)	(2,023)	(1,081)
Net Fee and Commission Income	**1,695**	**2,894**	**3,526**	**2,922**	**1,623**
Net gain/(loss) from foreign currency and gold dealings	687	872	1,048	1,110	660
Net gain/(loss) from trading of trading securities	167	450	(388)	168	155
Net gain/(loss) from disposal of investment securities	732	244	21	2,647	190
Net Other income/expenses	280	139	990	863	348
Income from capital contribution and equity investments	19	20	59	76	11
Total Operating Income	**18,161**	**23,564**	**28,790**	**32,747**	**16,820**
Operating Expenses	(7,624)	(8,230)	(11,605)	(10,874)	(5,230)
Operating Profit Before Provision for Credit Losses	**10,537**	**15,334**	**17,185**	**21,872**	**11,591**
Provision for credit losses	(941)	(3,336)	(71)	(1,804)	(1,100)
Profit/(loss) before tax	**9,596**	**11,998**	**17,114**	**20,068**	**10,491**
Corporate income tax expenses	(1,913)	(2,395)	(3,426)	(4,023)	(2,117)
Net profit/(loss) after tax	**7,683**	**9,603**	**13,688**	**16,045**	**8,374**

Source: FiinRatings, ACB

Appendix 3: ACB's key metrics

Key metrics	Đơn vị	2020	2021	2022	2023	2Q2024
Business Position						
Total Assets	VND bn.	444,530	527,770	607,875	718,795	769,679
Gross Customer Loans	VND bn.	311,479	361,913	413,706	487,602	550,172
Customer Deposits	VND bn.	353,196	379,921	413,953	482,703	511,696
Operating Income	VND bn.	18,161	23,564	28,790	32,747	33,623
Fees and commissions income/ Operating income	%	9.3	12.3	12.2	8.9	9.3
Capital and Earnings						
Common Equity Tier 1 Capital / Total Assets	%	7.9	8.4	9.5	9.8	9.7
Reported CAR	%	11.1	11.2	12.8	12.5	11.8
Net Interest Margin	%	3.7	4.1	4.4	4.0	3.9
Return on Average Assets	%	1.9	2.0	2.5	2.5	2.3
Interest and fees receivable days	days	33.9	29.4	26.1	26.9	27.4
Risk Position						
Adjusted NPL ratio	%	0.6	0.8	0.7	1.2	1.5
Adjusted (NPL + SML) ratio	%	0.8	1.3	1.3	1.9	2.0
Reserve Coverage to NPL	%	160.3	209.4	159.3	91.2	77.8
Reserve Coverage to (NPL + SML)	%	122.1	124.8	90.0	59.2	57.1
Net write-offs/average gross loans	%	0.1	0.1	0.06	0.09	0.01

Funding and Liquidity						
Adjusted loan to deposit ratio	%	82.7	87.2	89.6	90.5	94.3
Average Financing Cost	%	4.7	3.5	3.6	4.9	3.9
Long-term funding ratio	%	89.8	85.0	82.4	79.7	80.2
Wholesale funding/ total liabilities	%	11.3	17.6	20.5	21.9	23.1
Stable funding ratio	%	103.7	103.0	104.1	103.1	106.9
CASA ratio	%	20.4	23.6	20.1	19.9	19.1
Ability to cover liabilities AND commitments	%	74.1	74.6	102.3	63.1	55.2
Broad liquid assets / Short-term wholesale funding	%	197.6	177.4	153.0	145.5	127.4

Source: FiinRatings, ACB

Appendix 4: Terms and Definition

Key metrics	Formula
Adjusted NPL & SML ratio	**Numerator:** Special-mentioned loans + Substandard loans + Doubtful loans + Non-performing loans + VAMC bonds **Denominator:** Gross customer loans + VAMC bonds
Adjusted NPL ratio	**Numerator:** Substandard loans + Doubtful loans + Bad loans + VAMC bonds **Denominator:** Gross customer loans + VAMC bonds
Average financing cost	**Numerator:** Interest and similar expenses **Denominator:** Average of Total debts (in which Total debts = Due to Government and loans from SBV + Deposits and loans from other credit institutions + Deposits from customers + Derivatives and other financial liabilities + Funds received from government, international, and other institutions + Convertible bonds, CDs and other valuable papers issued)
Broad liquid assets to short-term wholesale funding	**Numerator:** Broad liquid assets = Cash + Short term interbank loans and reverse repos + Securities owned net of illiquid portion - Restricted cash (in which, Short-term interbank loans and reverse repos = Deposits at the SBV + Deposits with and loans to other credit institutions + Reverse repurchase agreements Securities owned net of illiquid portion = Trading securities + Investment securities - Allowance/Loss reserve (for both HTM and AFS securities) + long-term contributions Restricted Cash = 1% * Deposits from customers) **Denominator:** Short-term wholesale funding
CASA Volatility	**Numerator:** Standard deviation of CASA ratio in a period **Denominator:** Average of CASA ratio in said period
Common equity tier 1 capital / Total Assets	**Numerator:** Paid-in capital + Funds of the credit institution + Fund for basic constructions + Foreign exchange differences + Capital surplus + Undistributed earnings – Goodwill – Treasury shares **Denominator:** Total assets
Cost to Income ratio (CIR)	General and Admin expenses / Total operating income
Customer deposits growth volatility	**Numerator:** Standard deviation of customer deposits growth in a period **Denominator:** Average of customer deposits growth in said period
Deposits/ Liabilities	Deposits from customers / Liabilities
Estimated CASA ratio	**Numerator:** Current deposits + Margin deposits + Deposits for special purposes **Denominator:** Deposits from customers + Convertible bonds, CDs, and other valuable papers issued
Interest and fees receivable days	**Numerator:** Average of Accrued interest and fee receivables **Denominator:** (Interest and similar income + Fees and commission income)/365
Liquid assets/ Total liabilities	**Numerator:** Liquid assets = Cash and cash equivalents + Balances with the SBV + Placements with and loans to other credit institutions + Government and Government-guaranteed bonds **Denominator:** Total liabilities
Loan to Deposit ratio	**Numerator:** Gross customer loans – Loan loss reserve – Reverse repurchases agreements)/ **Denominator:** Adjusted customer deposits + Convertible bonds, CDs, and other valuable paper issued (in which, Adjusted customer deposits = Customers deposits - Margin deposits - Deposits from special purposes)
Long-term Funding Ratio	**Numerator:** Available Stable Funding **Denominator:** Total Equity + Funding Base
Net Interest Margin (NIM)	**Numerator:** Net interest income **Denominator:** Average of Interest-earning assets (in which, Interest-earning assets = Gross customer loans + Balances with the SBV + Placements with and loans to other credit institutions + Debts purchase + Trading securities + Available-for-sale securities + Held-to-maturity investments)
Net write-offs/average gross loans	**Numerator:** Increase/(decrease) in provision for loan losses + Receipts from debts written off) **Denominator:** Average of Gross customer loans
Loan loss reserve to (NPL + SML)	**Numerator:** Provision for losses on loans and advances to customers + Provisions for VAMC bonds **Denominator:** Special- mentioned loans + Substandard loans + Doubtful loans + Bad loans + VAMC bonds
Preprovision operating income	Operating income before provision expenses and reversals
Problem loan ratio	(Non-performing loans + Special-mentioned loans) / (Gross loans + VAMC bonds)
Reserve Coverage Ratio	**Numerator:** Provision for losses on loans and advances to customers + Provisions for VAMC bonds **Denominator:** Substandard loans + Doubtful loans + Bad loans + VAMC bonds
Return on Average Assets	Net profit after tax/ Average of Total assets
Return on Average Equity	Net profit after tax/ Average of Total equity
Risk weighted assets (RWA)	Asset or off-balance sheet (OBS) exposures, weighted according to risk
Short-term wholesale funding/ Funding base	**Numerator:** Short-term funding from the Government and SBV + Short-term interbank and debt market funding + Short-term valuable papers issued **Denominator:** Funding base = Adjusted customer deposits + Interbank and debt funding + Other liabilities (in which, Interbank and debt funding = Debts from the Government and SBV + Deposits and borrowings from other credit institutions + Valuable papers issued)
Short-term wholesale funding / Total wholesale funding	**Numerator:** Short-term wholesale funding = Short-term funding from the Government and SBV + Short-term interbank and debt market funding + Short-term valuable papers issued **Denominator:** Total wholesale funding = Funding base – Customer deposits

Stable funding ratio	**Numerator:** Available stable funding = Adjusted customer deposits + Tangible common equity + Long-term interbank and debt market funding (in which, Adjusted customer deposits = Customers deposits - Margin deposits - Deposits from special purposes Tangible common equity = Total equity – Intangible fixed assets - Goodwill Long-term interbank and debt market funding = Debts from the Government and SBV + Deposits and borrowings from other credit institutions + Valuable papers issued) **Denominator:** Stable funding needs = Customer loans and Long-term interbank lending + Risky and less liquid securities holdings+ Restricted cash + Other assets + 5%* Off-balance sheet credit equivalents (in which, Customer loans and Long-term interbank lending = Net customer loans + Debt purchases + Deposits with and loans to other credit institutions Risky and less liquid securities holdings = Available-for-sale securities (Government and Government-guaranteed, debt instruments issued by financial institutions, corporates, and foreign issuers, equity are haircut) + Held-to-maturity securities + Long-term investments
Wholesale funding/ Liabilities	**Numerator:** Due to Government and loans from SBV + Deposits and loans from other credit institutions + Valuable papers issued + Derivatives and other financial liabilities **Denominator:** Total liabilities
Ability to cover liabilities AND commitments	**Numerator:** Broad liquid assets + Government bond **Denominator:** (Deposit from customer - Loans to customers) + Deposits and Loans from others Cis + Valuable papers issued+Liabilities commitments

Appendix 5: Rating Scales and Definitions

We employ below rating scale in assigning ratings for all issuers across industries and sectors that we cover in Vietnam. The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

Definition and explanation	Rating scales
Group 1: **Extremely strong** capacity to meet financial obligation	**AAA**
Group 2: **Very strong** capacity to meet financial obligation	**AA+**
	AA
	AA-
Group 3: **Strong capacity** to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances	**A+**
	A
	A-
Group 4: **Adequate capacity** to meet financial commitments but more vulnerable to adverse developments and economic conditions	**BBB+**
	BBB
	BBB-
Group 5: **Moderate capacity** to meet financial obligations but less vulnerable than other speculative issuers	**BB+**
	BB
	BB-
Group 6: **Weak capacity** to meet financial obligations. Sensitive to business, financial and economic conditions. High risk.	**B+**
	B
	B-
Group 7: **Very weak** capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk.	**CCC+**
	CCC
	CCC-
	CC
	C
Group 8: **Default** level. In default or in breach of an imputed promise. This level is used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty.	**SD, D**

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