

VIS Rating affirms ABBank's A- issuer rating, stable outlook

Hanoi, 22 October 2025 - VIS Rating has today affirmed An Binh Commercial Joint Stock Bank's (ABBank) A- long-term issuer rating. The rating outlook remains stable.

RATING RATIONALE

The rating affirmation with a stable outlook reflects VIS Rating's view that ABBank's asset risk and profitability will stabilize if the bank follows closely its de-risking plan, improves the collection of bad debt and improves its competitive position over the next 12-18 months.

ABBank's A- long-term issuer rating reflects its average standalone assessment, underpinned by its above-average capital, average profitability, funding structure, liquid resources, and below-average asset risk compared to its peers. The rating also incorporates our expectation of a moderate likelihood of government support for the bank in times of need.

Over the past year, ABBank has been executing its de-risking strategic plan that will span across 2024 to 2028. In addition to stepping up in bad debt write-offs, the bank has tightened customer selection criteria and intensified debt collection efforts. In 1H2025, its reported non-performing loans (NPL) ratio fell to 2.7% from 3.7% in 2024, supported by slower new NPL formation rates in its retail mortgages and consumer loans. Including NPLs sold in exchange for Vietnam Asset Management Company (VAMC) bonds in 1H2025, the bank's total problem loan ratio was 5.3%, lower than 7.5% at 2024.

According to the management, ABBank will focus on serving corporate clients across the value chain of selected ecosystems, including large corporate groups in sectors such as food and beverage, automotive, and contractors of expressway projects. In the retail and small and medium enterprises (SME) segments, the bank continues to tighten credit underwriting, focusing on customers with stable cash flows, established credit histories, payroll relationships and leveraging enhanced internal credit scoring models to screen new loan applicants.

We expect the bank's new NPL formation rate to normalize over the next 12 to 18 months, as it resumes loan growth in the retail and SME segments. We note that a substantial portion of the bank's NPLs related to retail mortgages linked to agricultural lands and projects will take a long time to resolve due to outstanding legal issues, and will most likely have to be written off in due course. As of June 2025, the bank's 20 largest borrowers amounted to 209% of its tangible common equity (TCE), up from 156% a year ago. We note that some of these large borrowers have either weak cash flow or high leverage, and hence, increase the bank's vulnerability to sizable credit losses from single-name credit events.

The bank's return on average tangible assets (ROAA) improved to 1.2% in 1H2025 from its trough level of 0.4% in 2024, driven by recovering net interest margins (NIM) and higher bad debt recovery income. NIM increased to 2.6% in 1H2025 from 1.9% in 2024, supported by stronger corporate loan growth, particularly in the financial and real estate sectors. Loan growth accelerated to 16% in 1H2025, marking a sharp rebound from 0.6% in 2024. The bank projects continued loan expansion, targeting 16%–18% in 2026. Income from bad debt collection – including from NPLs written-off - surged 880% year-on-year, accounting for 32% of total operating income – higher than most peers.

We expect the bank's core profitability to stabilize at current levels, underpinned primarily by steady NIM as continued efforts to resolve legacy NPLs will drive substantial write-offs and elevated credit costs.

ABBank's low-cost current account and savings account (CASA) deposits rose to 13% of its gross loans in June 2025 from its five-year low of 11% in 2024, driven by strong inflow of retail and corporate CASA deposits. According to the bank management, the bank's new Omni channel and partnership with the corporate ecosystem including their vendors, suppliers, and consumers supported the bank's CASA deposit growth.

The bank is partnering with Misa and VNPAY to offer transactional banking and cash management solutions to its household business customers.

As of June 2025, liquid assets made up 31% of its total assets – higher than the industry average of 22% – and comprised of cash and cash equivalents, government securities, and interbank placements. Market funds accounted for around 30% of its total assets, mostly in the form of short-term interbank deposits, down from 39% in 2024.

Overall, we view the liquidity risks arising from the use of short-term market funds to be manageable, as these funds are used mostly for short-term treasury and investments in the interbank market, and not used to fund their customer loans. The bank's customer loan-to-deposits ratio (LDR) was 93% in June 2025, lower than the industry average of 109%.

ABBank's tangible common equity declined to 9.1% of risk-weighted assets at June 2025 from 10.7% a year ago, as its asset growth outpaced its profit growth and internal capital generation. The bank plans to raise additional capital of VND3.6 trillion from employee stock ownership plan (ESOP) (VND 518 billion) and issue new shares to existing shareholders (VND 3.1 trillion) in 2026 to support its asset growth. If its internal capital generation improves from current levels over the next 12-18 months, we expect the bank's capital level will begin to stabilize.

ABBank's A- rating incorporates our assumption of a moderate likelihood of support from the government in times of need, as well as our view that the new regulatory framework provides the regulator with multiple tools and mechanisms to address issues in ailing banks, indicating enhanced government support for small banks when necessary.

Established in 1993, ABBank is a small-sized privately-owned commercial bank focusing on retail and SME customers. The bank has leveraged the network of its key shareholders, including Hanoi General Export Corporation (Geleximco) and Electricity Vietnam (EVN, prior to divestment in 2016), to grow its customer base and core businesses.

Factors that could lead to an upgrade of the rating

ABBank's A- rating could be upgraded if the bank successfully implements its de-risking strategy, and establishes a track record of prudent credit underwriting, effective bad debt recovery, and improved competitive position to gather low-cost deposits and grow its core business. For example, the bank's problem loan ratio is maintained consistently below 2%, and both its loan loss coverage ratio and ROAA are maintained at levels above the industry-average.

Factors that could lead to a downgrade of the rating

ABBank's A- rating could be downgraded if (1) its de-risking strategy fails to improve its customer mix and reduce its asset risks, leading to further increases in new NPL formation rate; or (2) its credit exposure to higher-risk borrowers and segments continues to increase, posing higher downside risks to its asset quality; or (3) the bank's loss absorption capacity deteriorates, for example, the bank's TCE as percentage of RWA declines for successive quarters or its ROAA declines substantially and weakens its ability to retain capital; or (4) the bank's vulnerability to liquidity risks increases through either higher reliance on short-term market funds or a prolonged weakening in its core deposits.

RATING METHODOLOGY

Rating Methodology: Financial Institutions.

For detailed information, please see our full methodologies at: <https://visrating.com/how-to-get-rated/view/financial-institutions-rating-methodology.2>

SUMMARY OF KEY FACTORS



Source: VIS Rating

CREDIT RATING HISTORY

Date	Rating type	Rating	Outlook	Action
21 October 2024	Long-term Issuer Credit Rating	A-	Stable	First-time assignment
22 October 2025	Long-term Issuer Credit Rating	A-	Stable	Update

RATING SCALE

Long-Term Rating

AAA	Issuers or debt instruments demonstrate the strongest creditworthiness relative to other domestic entities and transactions.
AA	Issuers or debt instruments demonstrate very strong creditworthiness relative to other domestic entities and transactions.
A	Issuers or debt instruments demonstrate above-average creditworthiness relative to other domestic entities and transactions.
BBB	Issuers or debt instruments demonstrate average creditworthiness relative to other domestic entities and transactions.
BB	Issuers or debt instruments demonstrate below-average creditworthiness relative to other domestic entities and transactions.
B	Issuers or debt instruments demonstrate weak creditworthiness relative to other domestic entities and transactions and may be approaching default, with strong recovery prospects.
CCC	Issuers or debt instruments demonstrate very weak creditworthiness relative to other domestic entities and transactions and are likely in or near default, typically with moderate recovery prospects.
CC	Issuers or debt instruments demonstrate extremely weak creditworthiness relative to other domestic entities and transactions and are typically in default, typically with poor recovery prospects.
C	Issuers or debt instruments demonstrate the weakest creditworthiness relative to other domestic entities and transactions and are typically in default, with very poor recovery prospects.

Note: VIS Rating appends the modifiers + and – to each generic rating classification from AA through CCC. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier – indicates a ranking in the lower end of that generic rating category

REGULATORY DISCLOSURES

For further specification of VIS Rating's Rating Symbols and Definitions, please see <https://visrating.com/how-to-get-rated/>.

ABBank's ownership stake in VIS rating: 0%

The ownership ratio of ABBank held by VIS Rating's staff: 0%

Cases in which analysts and credit rating council members cease their participation in the credit rating contract before the contract expires and the reason for the cessation: 0

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This rating is solicited.

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