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Banking Sector: FY2025 Update

Diverging Asset Quality and Profitability as Large Banks Hold Firm, while Small and Mid-sized Banks Face Mounting Liquidity Pressures

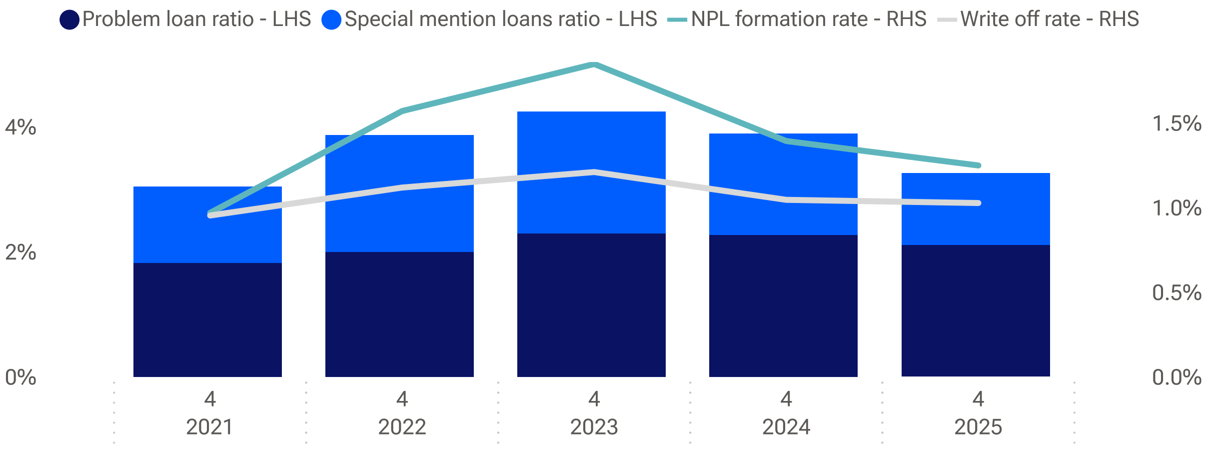
Vietnamese banks delivered a mixed performance in 2025. Asset quality improved at several State-owned banks (SOBs) and large private banks, reducing the sector's problem loan ratio by 20 basis points (bps) to 2.1%, supported by recovering real estate conditions and year end write-offs. Meanwhile, majority of mid-sized banks fell short of their full-year profit targets, as net interest margin (NIM) narrowed due to rising deposit costs, a shift toward lower-yield corporate loans, as well as higher credit costs. Liquidity pressures also intensified for mid-sized and smaller banks, driven by heavier reliance on short term interbank borrowings, declining CASA deposits, and loan growth outpacing deposit growth—prompting further deposit rate increases to secure funding. Looking ahead to 2026, banks' asset quality and profitability are expected to diverge, with large banks to remain resilient under a stable domestic environment and ongoing policy support.

Improved **Stable** **Deteriorated**

Factors	Trend	Key highlights
Asset Quality		**Recovering real estate market and higher write-offs eased banks' retail-mortgage delinquencies** • Sector's problem loan ratio declined from 2.3% in 2024 to 2.1% in 2025, led by SOBs and large banks. • These banks' bad debts fell from lower retail mortgage delinquencies (e.g., ACB, TCB, VPB), reduced stress in renewable energy corporates (e.g., MBB), and improved corporate debt servicing (e.g., CTG). Meanwhile, mid-sized and small banks with sizeable speculative mortgages address asset quality issues through write-offs (e.g., VIB, OCB (A+, Stable), TPB (AA-, Stable), ABB (A-, Stable)). • In contrast, asset quality pressures remain elevated for banks exposed to export-related firms (e.g., EIB, MSB, STB) and distressed airlines borrowers (e.g., STB). • In 2026, we expect banks' problem loan ratio to decline by 10bp to around 2.0-2.1%, supported by a stable domestic environment, continued policy support and tighter lending to high-risk real estate.
Profitability		**Majority of mid-sized banks missed their full-year profit plan amid narrowed NIM** • Sector's ROAA stayed flat at 1.5% in 2025, as lower credit costs and higher bad debt recoveries at large banks offset margin compression. System credit growth accelerated to five-year high at 19% in 2025, mainly to real estate developers, retail mortgages, and manufacturing sectors. • Sector's NIM fell by around 30bp on average to 3.1% in 2025, particularly for mid-sized and some small banks amid rising deposit costs. Their ROAA was further hit by higher credit costs (e.g., EIB, NAB), and expansion to lower- yields corporate lending (e.g., VIB). • Profit growth among large banks was mixed: Some benefited from lower credit costs and higher bad debt recovery (e.g., CTG, VPB), strong securities-affiliate income (e.g., VPB, HDB), transaction services fee (e.g., HDB), while others faced higher credit costs (e.g., ACB, STB). • In 2026, we expect sector's ROAA to remain stable at 1.5% with steady NIM and easing credit costs, as higher lending yields from long-term loan growth offset rising deposit costs.
Capital		**Capital level remained weak amid higher cash dividends and rapid loan growth** • Sector's tangible common equity/ tangible assets (TCE/TA) deteriorated by 25 bps YoY in 2025 given cash dividend payouts (e.g., TCB, TPB (AA-, Stable), LPB (A+, Stable), VIB) and rapid growth in risk-weighted assets (e.g., VPB, MBB) • In contrast, new capital injections (e.g., NVB, PGB) in 2025 improved significantly their loss-absorption buffers. The ongoing capital raising by small banks in 2026 will strengthen their capital, outpacing SOBs.
Funding & Liquid Resources		**Liquidity risk increased for mid-sized and small banks amid greater reliance on short-term market funding to support strong loan growth** • Sector CASA deposits/Gross loans ratio fell by 80 bps YoY to 19.9% in 2025, driven by deposit outflows from mid-sized banks (e.g., OCB, SSB, VIB) • Since October 2025, interbank overnight rates have surged by 5.9% points to 10.8% on average as of February 2026 as of February 2026, alongside rising deposit costs by 60 bps amid sluggish deposit growth and tighter market liquidity. • In the near-term, banks - particularly small and mid-sized banks with weaker deposit franchise- will continue raising deposit rates to attract higher deposits and support loan growth.

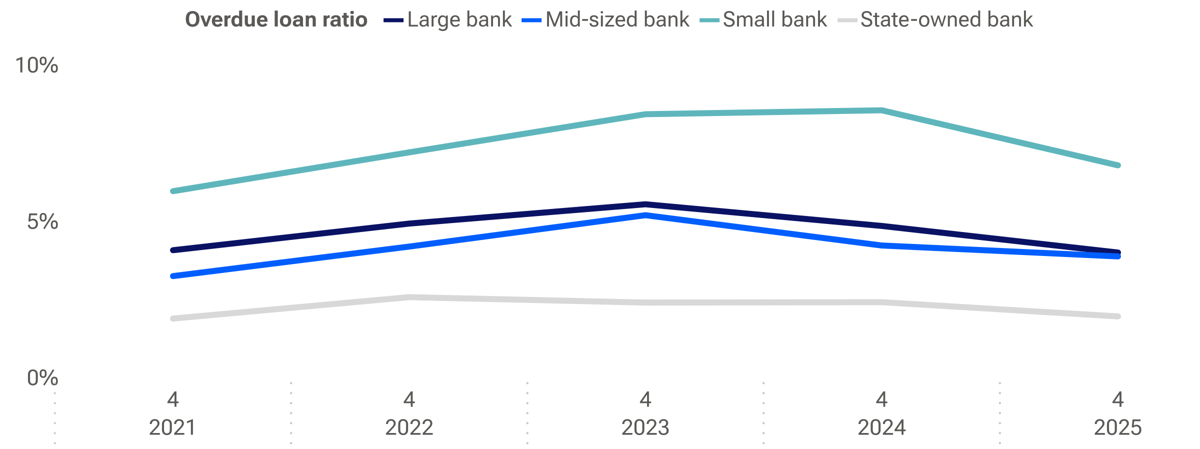
Recovering real estate market and higher write-offs eased retail-mortgage delinquencies

Exhibit 1: Sector's problem loan ratio declined in 2025...



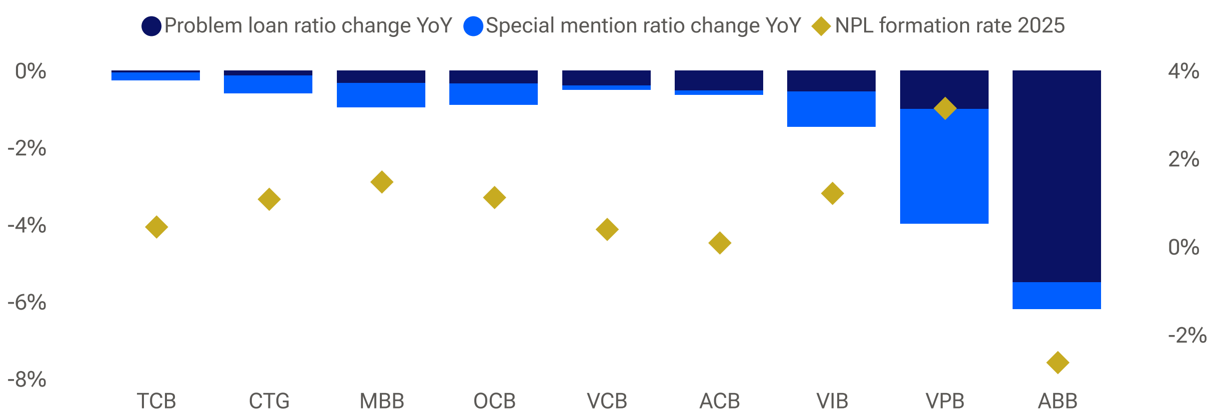
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 2: ...led by SOBs and large banks



Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 3: These banks' bad debts fell from lower retail mortgage delinquencies, improved corporate debt servicing and higher write-offs



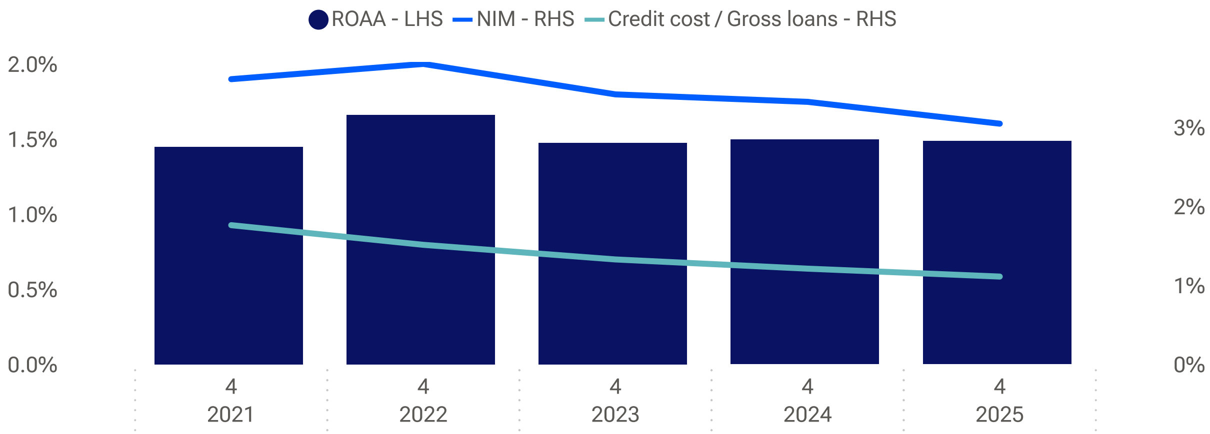
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 4: Asset quality pressures remain elevated for banks exposed to export-related corporates and distressed airline borrowers

Note: Refer to the Appendix for the full name of banks. YTD means year-to-date
Source: Bank data, VIS Rating

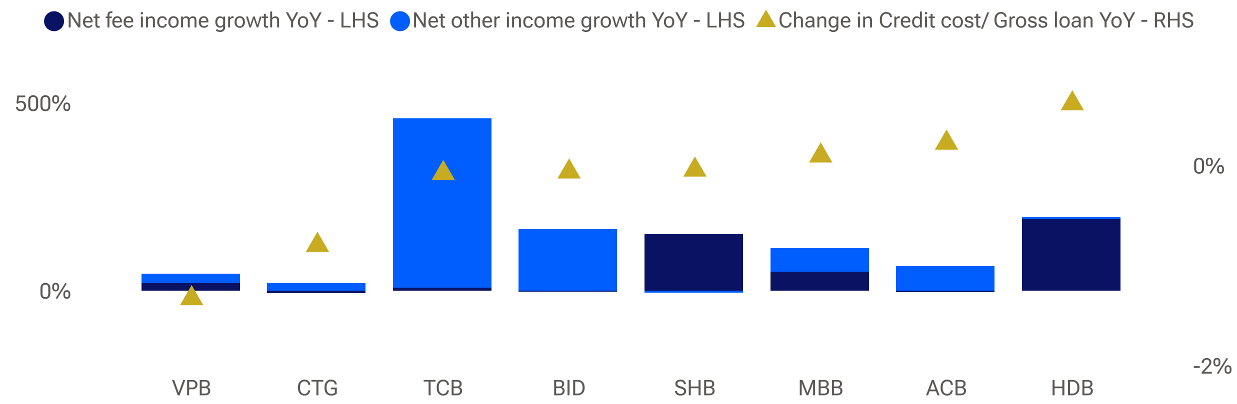
Majority of mid-sized banks missed their full-year profit plan amid narrowed NIM

Exhibit 5: Sector's ROAA stayed flat in 2025...



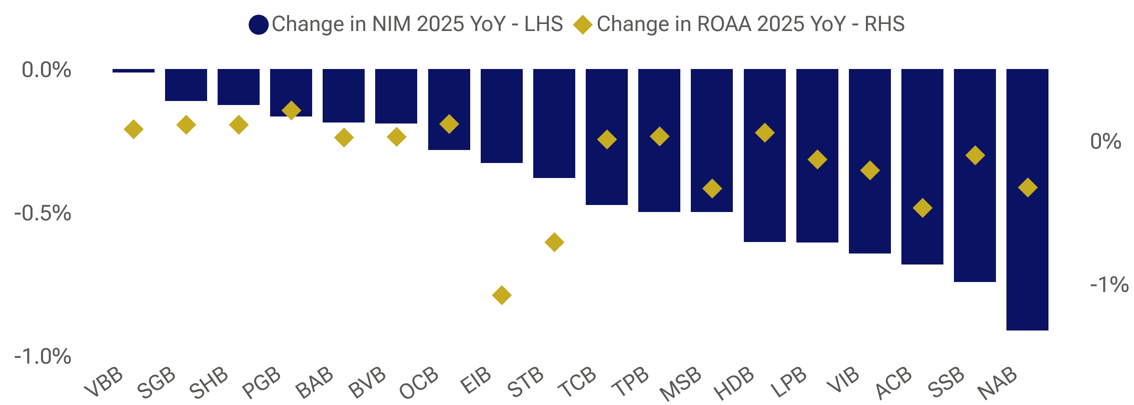
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 6: ...as lower credit costs and higher bad debt recoveries at several large banks offset margin compression



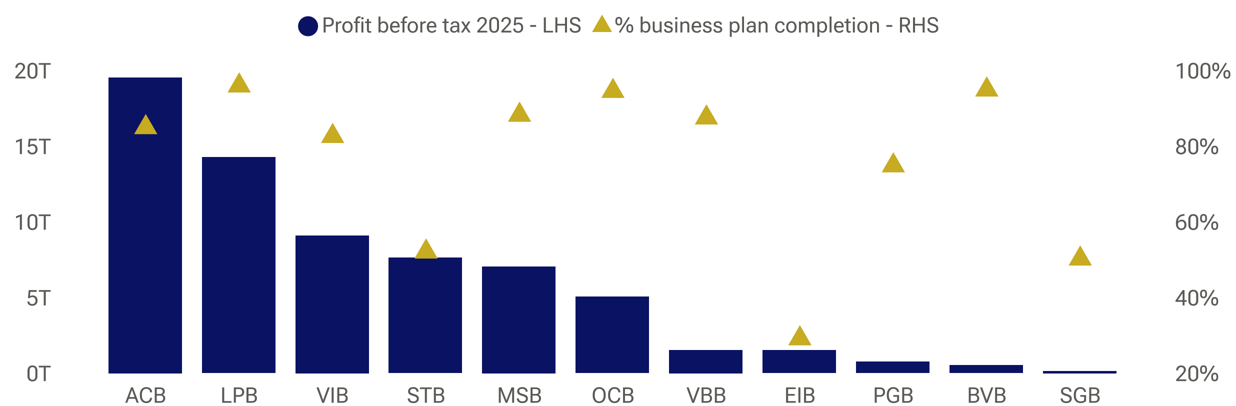
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 7: NIM fell significantly for mid-sized and some small banks amid rising deposit costs



Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

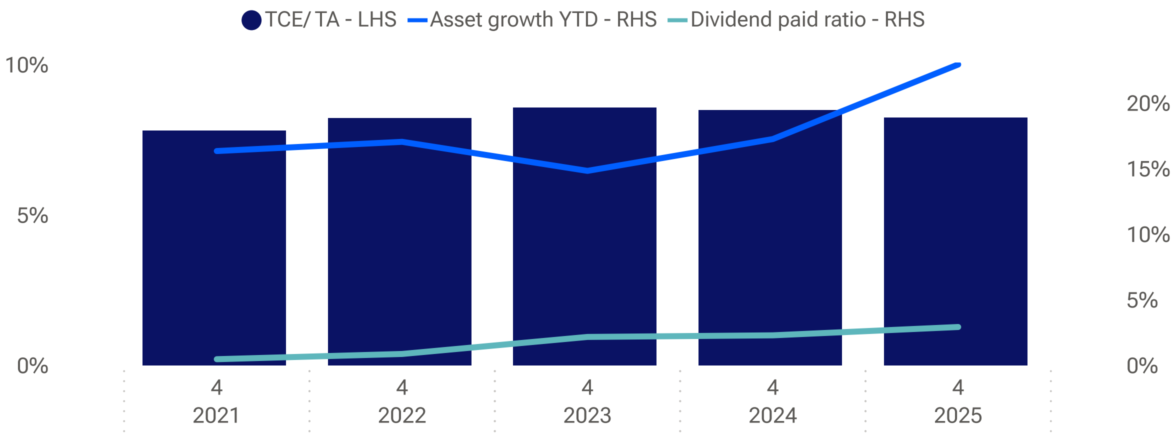
Exhibit 8: Majority of mid-sized banks missed their 2025 profit target



Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

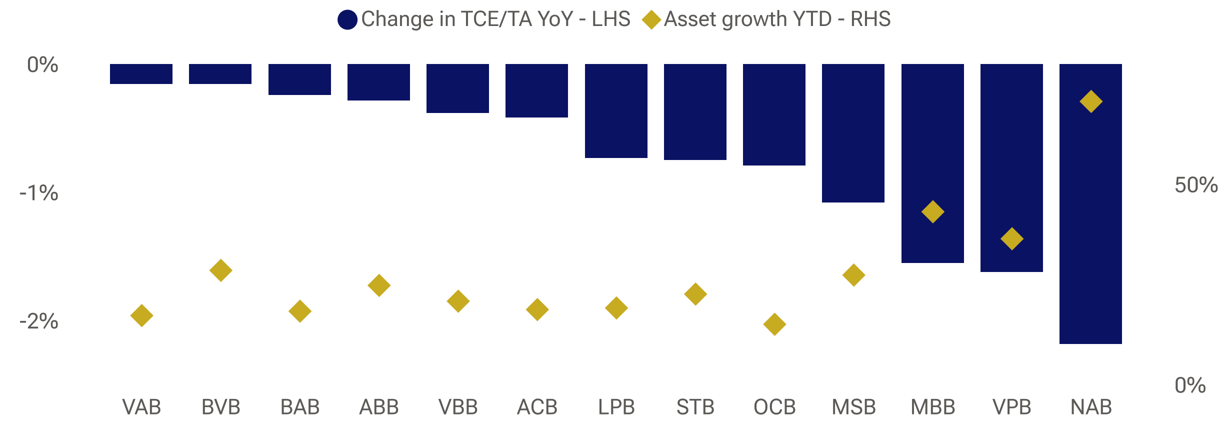
Capital level remained weak amid higher cash dividends and rapid loan growth

Exhibit 9: Sector TCE/ TA declined slightly given cash dividend payout...



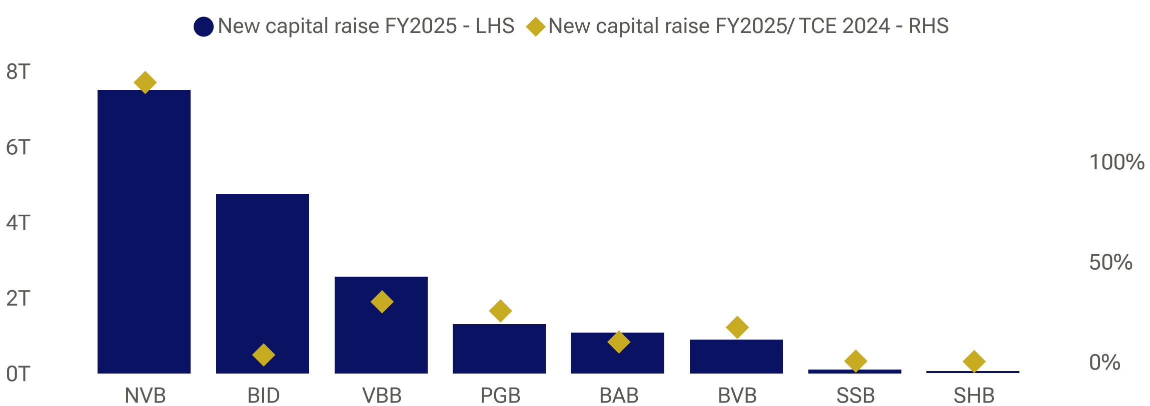
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 10: ...and rapid growth in risk-weighted assets



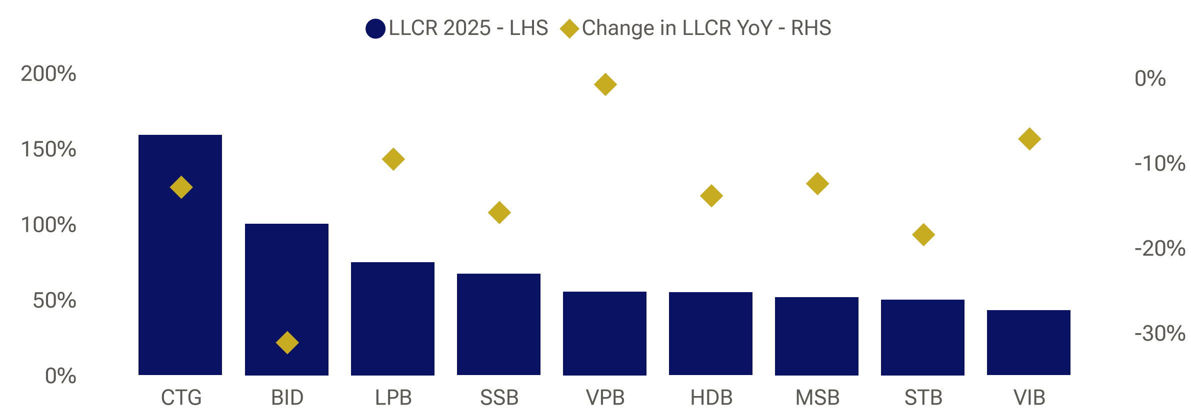
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 11: Capital injection by several small banks in 2025 improved their loss-absorption buffers



Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

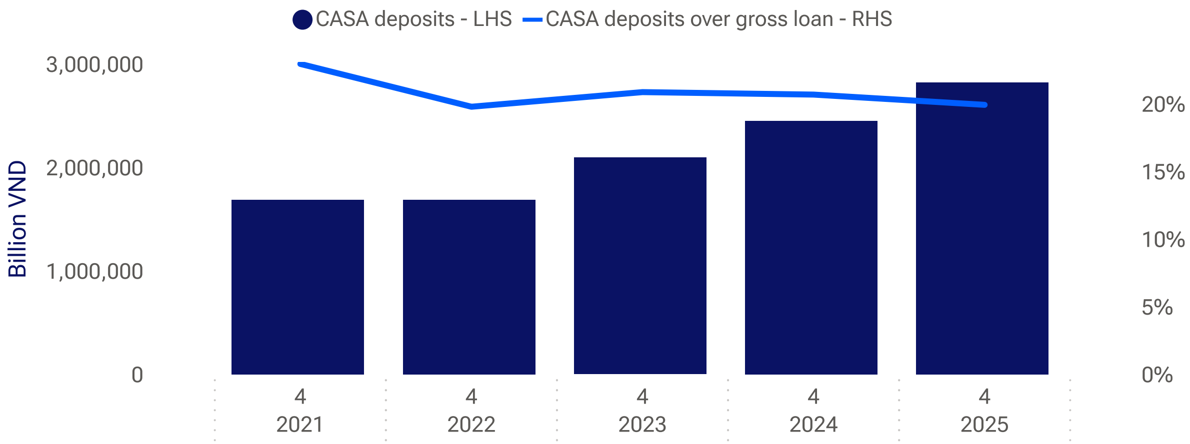
Exhibit 12: LLCR remained weak for several mid-sized banks



Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

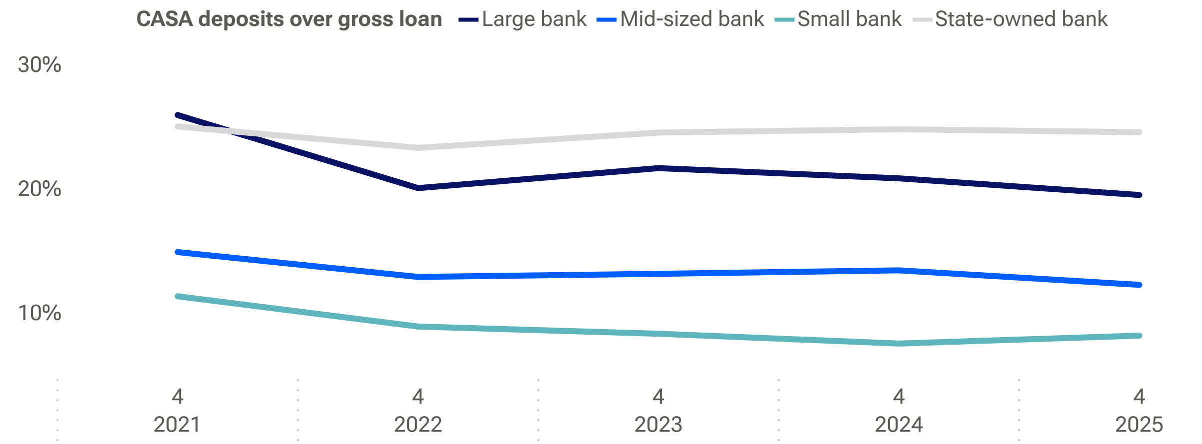
Liquidity risk increased for mid-sized and small banks amid greater reliance on short-term market funding to support strong loan growth

Exhibit 13: Sector CASA deposits over gross loans declined slightly in 2025...



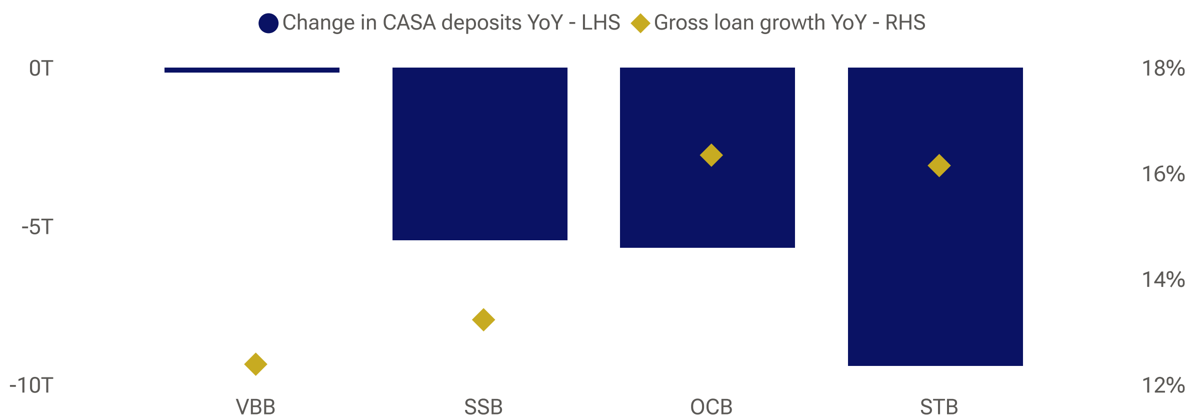
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 14: ...particularly for mid-sized banks



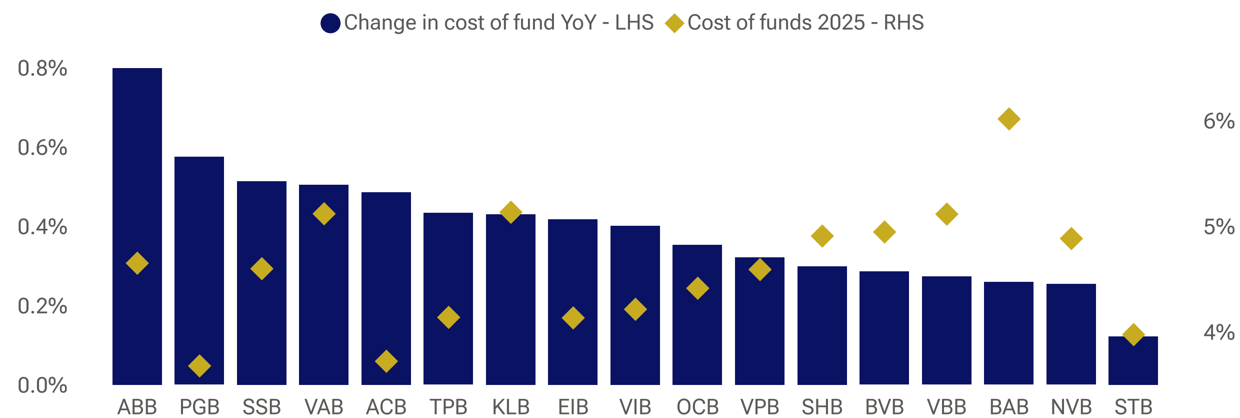
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 15: Several mid-sized banks faced CASA deposits outflow



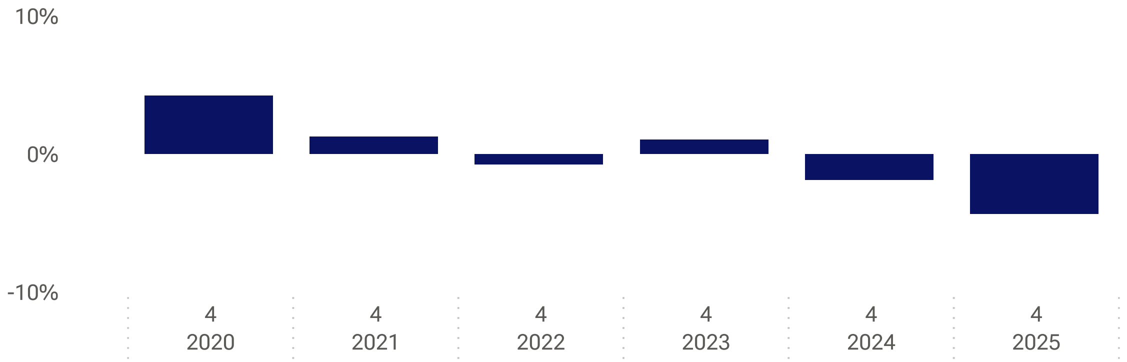
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 16: Heightened deposit competition drove higher funding costs for small and mid-sized banks



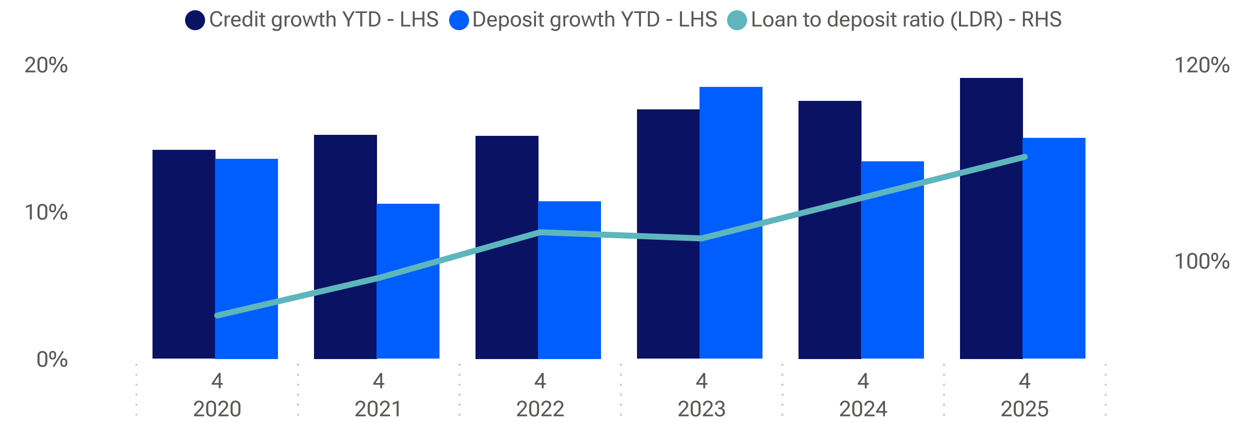
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 17: Sector liquidity ratio continued to decline



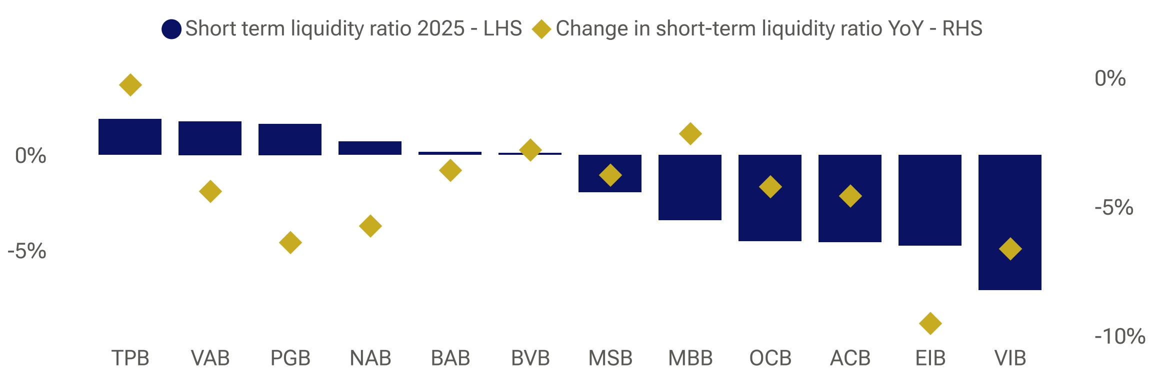
Note: Sector numbers include 27 listed banks
Liquidity ratio equals high liquid assets minus market funds over total assets;
High liquid assets include Cash, balances with SBV and other credit institutions, Government bonds.
Market funds include Deposits and borrowings from SBV and other credit institutions, valuable papers issued
Source: Bank data, VIS Rating

Exhibit 18: Sector LDR rose to 5-year high



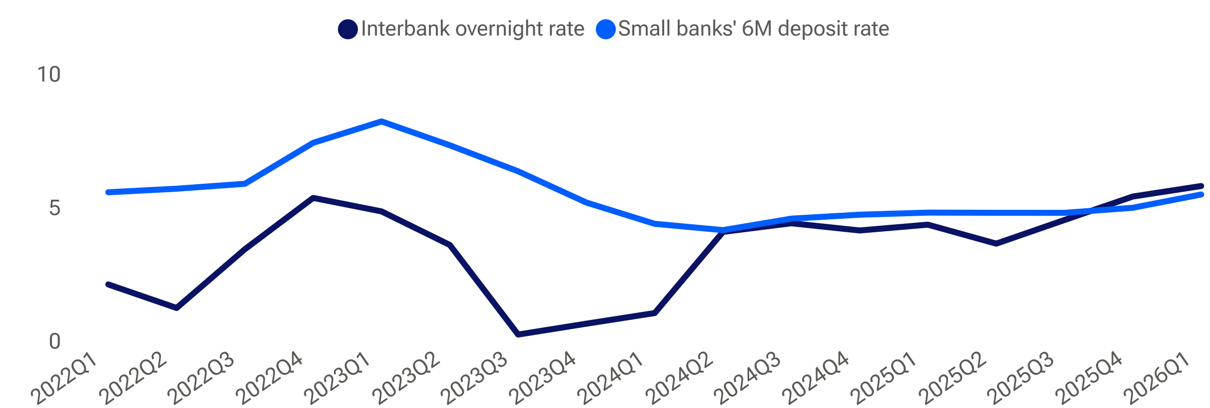
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 19: Liquidity pressure is more severe for several small and mid-sized banks given their reliance on short-term market funds



Note: Refer to the Appendix for the full name of banks
Short term liquidity ratio equals high liquid assets minus short term market funds over total assets
Source: Bank data, VIS Rating

Exhibit 20: Tighter market liquidity drove higher funding costs, particularly mid-sized and small banks



Source: Bank data, VIS Rating

APPENDIX

The firms included in our analysis are as follows:

Ticker	English Name	Size
ABB	An Binh Commercial Joint Stock Bank	Small bank
ACB	Asia Commercial Bank	Large bank
AGRIBANK	Vietnam Bank for Agriculture and Rural Development	State-owned bank
BAB	Bac A Commercial Joint Stock Bank	Small bank
BID	JSC Bank For Investment And Development Of Vietnam	State-owned bank
BVB	Viet Capital Commercial Joint Stock Bank	Small bank
CTG	Vietnam Joint Stock Commercial Bank for Industry and Trade	State-owned bank
EIB	Vietnam Commercial Joint Stock Export Import Bank	Mid-sized bank
HDB	Ho Chi Minh City Development Joint Stock Commercial Bank	Large bank
KLB	Kien Long Commercial Joint Stock Bank	Small bank
LPB	Fortune Vietnam Joint Stock Commercial Bank	Mid-sized bank
MBB	Military Commercial Joint Stock Bank	Large bank
MSB	Vietnam Maritime Commercial Join Stock Bank	Mid-sized bank
NAB	Nam A Commercial Joint Stock Bank	Mid-sized bank
NVB	National Citizen Commercial Joint Stock Bank	Small bank
OCB	Orient Commercial Joint Stock Bank	Mid-sized bank
PGB	Prosperity and Growth Commercial Joint Stock Bank	Small bank
SGB	Saigon Bank For Industry And Trade	Small bank
SHB	Saigon Hanoi Commercial Joint Stock Bank	Large bank
SSB	Southeast Asia Commercial Joint Stock Bank	Mid-sized bank
STB	Sai Gon Thuong Tin Commercial Joint Stock Bank	Large bank
TCB	Vietnam Technological and Commercial Joint Stock Bank	Large bank
TPB	Tien Phong Commercial Joint Stock Bank	Mid-sized bank
VAB	Vietnam Asia Commercial Joint Stock Bank	Small bank
VBB	Vietnam Thuong Tin Commercial Joint Stock Bank	Small bank
VCB	Bank for Foreign Trade of Vietnam	State-owned bank
VIB	Vietnam International Commercial Joint Stock Bank	Mid-sized bank
VPB	Vietnam Prosperity Joint Stock Commercial Bank	Large bank

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