

Banking Sector: 3M2025 Update

Liquidity tightens as asset quality weakens in mid-sized and state-owned banks

In 3M2025, credit fundamentals deteriorated for several mid-sized and State-owned banks (SOBs), driven by rising non-performing loans (NPLs) from retail mortgages in speculative segments and stressed corporate borrowers. This led to weaker return on average assets (ROAA) and diminished loss absorption buffers. Conversely, large banks remained resilient, supported by limited exposure to distressed developers. Sector-wide funding and liquidity profiles also weakened, as loan growth continued to outpace deposit inflows. Looking ahead, we expect asset quality and profitability to gradually improve in 2025, underpinned by a recovering real estate market and supportive government policies, particularly benefiting SOBs and large banks.

● Improved
 ● Stable
 ● Deteriorated

Factors Trend

Key highlights



Asset Quality



Sector asset quality deterioration led by mid-sized banks and SOBs

- Sector NPL ratio rose by 20 basis points (bps) quarter-on-quarter (QoQ) to 2.5% in 3M2025, as NPL formation increased for most banks.
- NPLs for some private banks (e.g., VPB, MBB, OCB, TPB, VIB) rose notably due to retail mortgage exposures in speculative segments and to distressed developers. SOBs (e.g., BID and CTG) increased bad debts from corporate borrowers in construction materials sector.
- In contrast, large banks (e.g., ACB, TCB) maintained stable NPL formation rates from limited exposure to high-risk developers.
- Potential asset risks are emerging for SOBs with significant exposure to foreign direct investment (FDI) clients (e.g., VCB, BID) and for banks with large mass retail consumer finance portfolios (e.g., VPB, HDB, MBB), amid rising US reciprocal tariff risks.
- We expect the sector's NPL formation rate to decline in 2025, supported by a recovering real estate market that should reduce retail mortgage delinquencies, and by government policy measures aimed at improving corporate debt service capacity.



Profitability



ROAA pressured by net interest margin (NIM) compression in mid-sized banks and select SOBs

- Sector ROAA remained stable at 1.5% in 3M2025, supported by year-to-date credit growth of 3.6% across retail and corporate segments.
- NIM declined by an average of 40 bps QoQ, with mid-sized banks most affected due to lower lending rates and rising deposit costs.
- As a result, ROAA declined for these banks, with the exception of SSB, which benefited from divestment gains related to its consumer finance subsidiary. SOBs also saw weaker returns, impacted by higher credit costs (e.g., CTG) or lower bond trading income (e.g., BID).
- In contrast, large banks (e.g., TCB, HDB, MBB) improved ROAA from lower credit costs, higher fee income, and/or bad debt recoveries.
- Sector ROAA will improve in 2025, from stronger credit growth in long-tenor corporate and mortgage loans, and easing credit costs.



Capital



Weaker loss absorption buffers amid rising problem loans

- Sector loan loss coverage ratio (LLCR) declined from 91% in 2024 to 80% in 3M2025, reflecting reduced provisioning buffers against rising problem loans. The deterioration was most pronounced among SOBs (e.g., BID, CTG) and mid-sized banks (e.g., LPB, TPB, VIB).
- Small banks (e.g., KLB, NVB, VAB) exhibited the weakest capital positions given modest profitability and robust loan growth in 3M2025.
- Additionally, planned large cash dividend payouts by several mid-sized banks (e.g., LPB, OCB) are expected to further erode their capital buffers in 2025, limiting their capacity to absorb future credit losses.



Funding & Liquid Resources



Funding and liquidity profiles weaken, mid-sized banks face greater pressure

- Sector CASA (current account savings account) deposits-to-gross loans ratio declined by 2 percentage points QoQ to 18.8% in 3M2025, primarily due to corporate deposit outflows at several mid-sized banks (e.g., LPB, SSB, TPB). In contrast, OCB continued to improve its CASA ratio, supported by its ongoing digitalization initiatives.
- Sector loan-to-deposit ratio (LDR) rose to a five-year high of 108% in 3M2025. Liquidity pressures are more pronounced at certain mid-sized banks with lower levels of liquid assets (e.g., LPB, TPB) and significant deposit withdrawals (e.g., TPB, SSB).
- With loan growth outpacing deposit growth, we expect banks to increasingly rely on long-term bonds to supplement funding needs.

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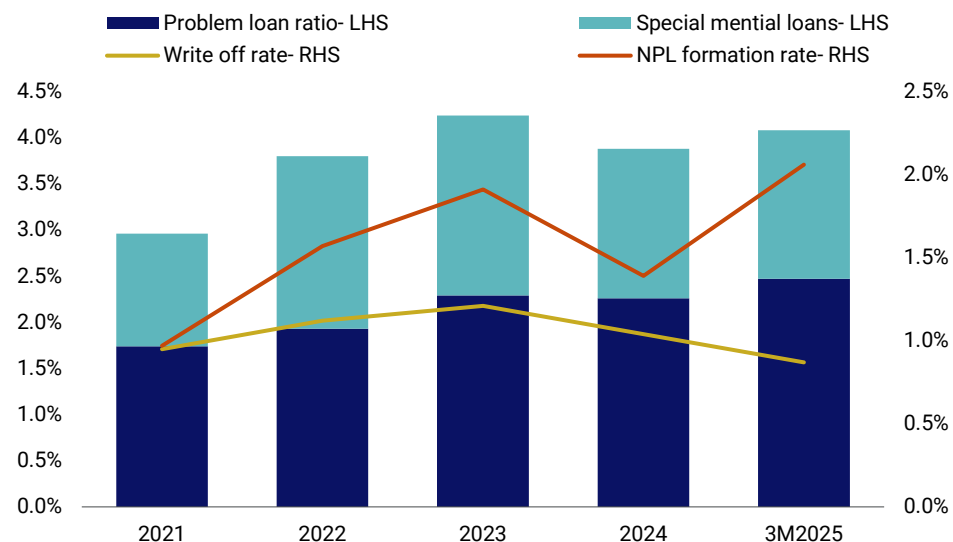
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Sector asset quality deterioration led by mid-sized banks and SOBs

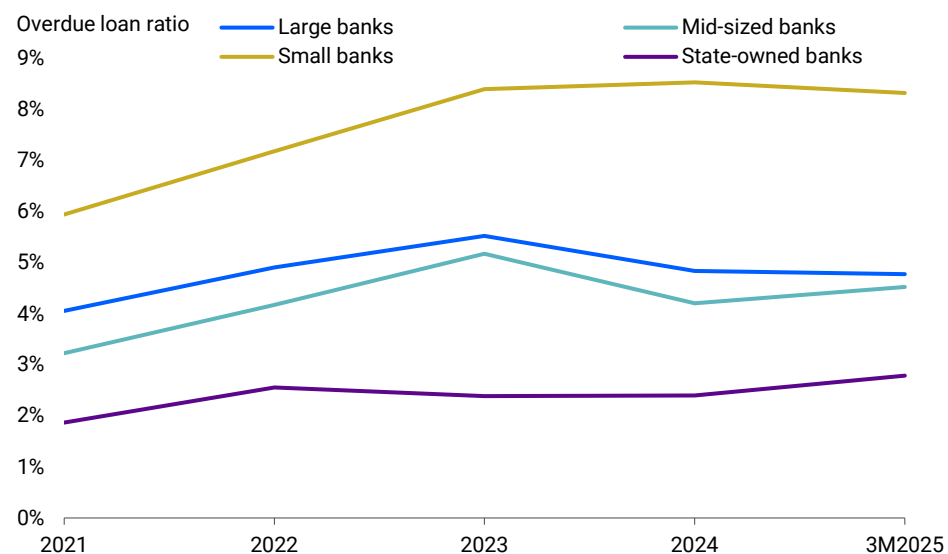
Exhibit 1: Sector problem loan ratio increased in 3M2025



Note: Sector numbers include 27 listed banks

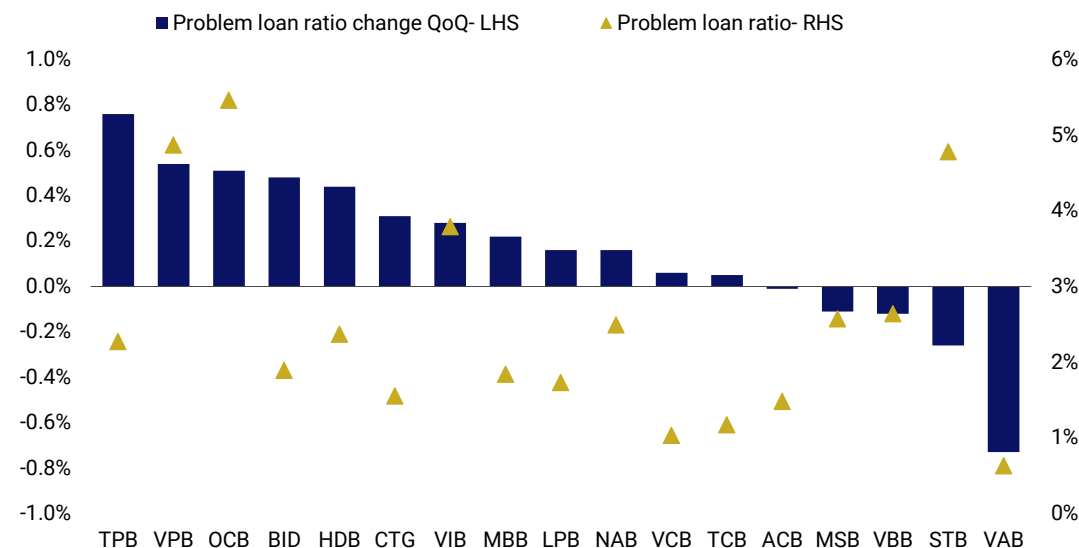
Source: Bank data, VIS Rating

Exhibit 3: ... for several mid-sized banks and SOBs



Source: Bank data, VIS Rating

Exhibit 2: Retail mortgages in speculative segments and stressed corporate borrowers drove higher problem loans...

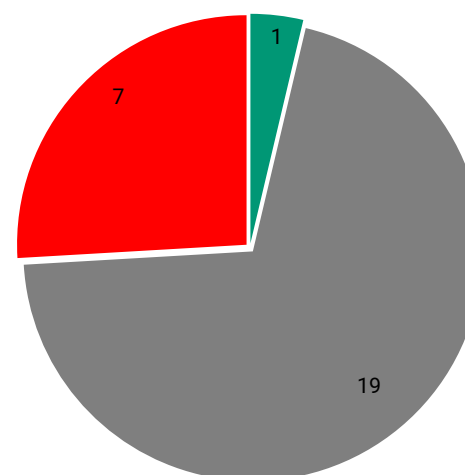


Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

Exhibit 4: Several mid-sized banks and SOBs deteriorated their asset risk profiles in 3M2025

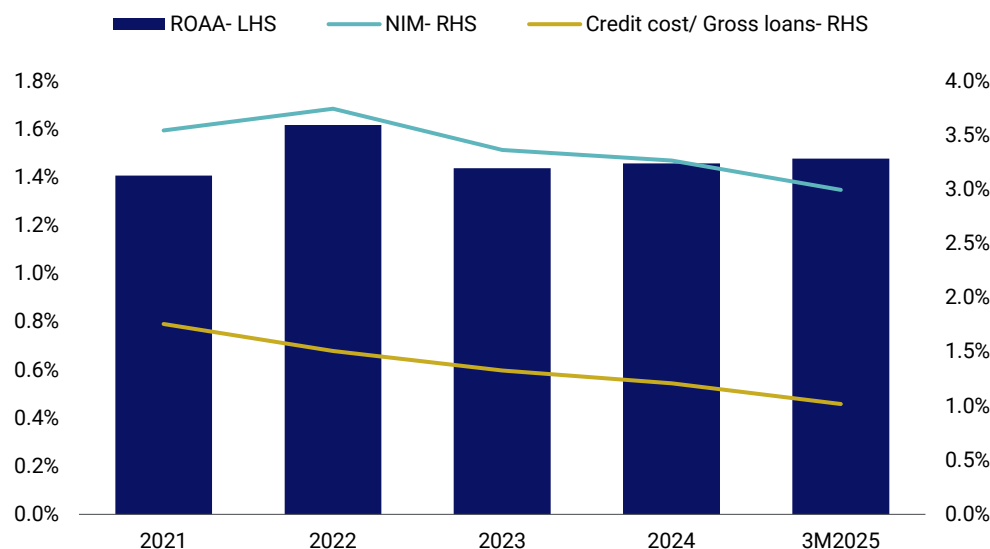
Improved Unchanged Deteriorated



Source: VIS Rating

ROAA pressured by NIM compression in mid-sized banks and select SOBs

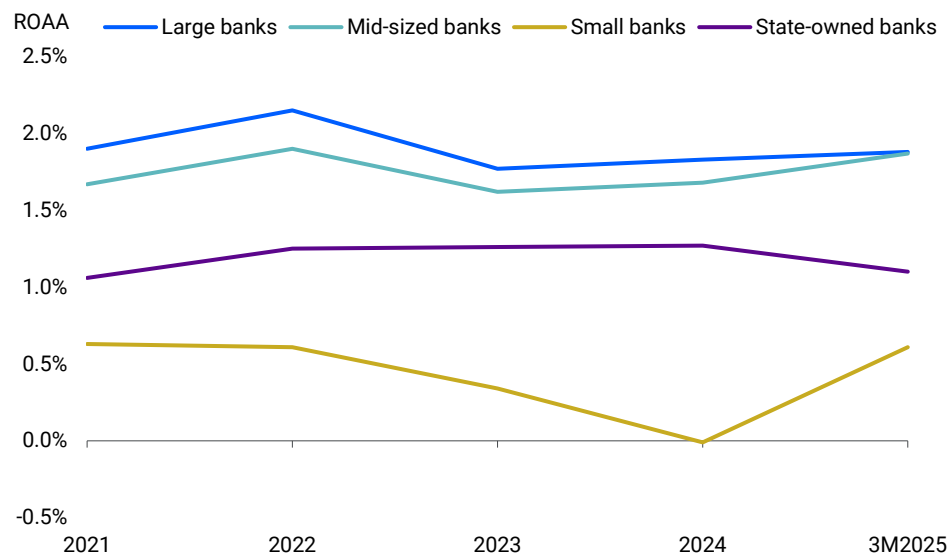
Exhibit 5: Sector's ROAA broadly remained stable in 3M2025



Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

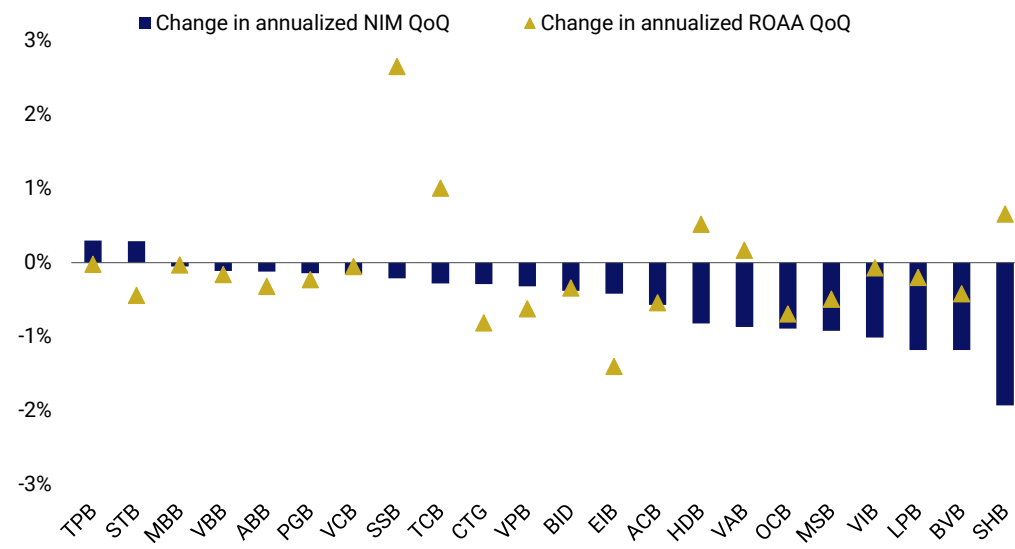
Exhibit 7: SOBs saw weaker returns from higher credit costs and lower trading gains



Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

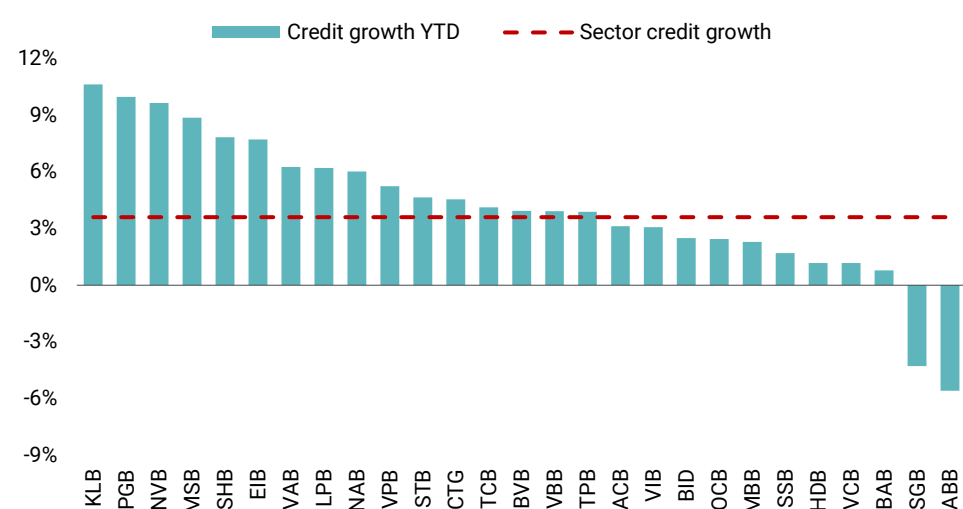
Exhibit 6: NIM declined across banks, particularly mid-sized banks



Note: Refer to the Appendix for the full name of banks

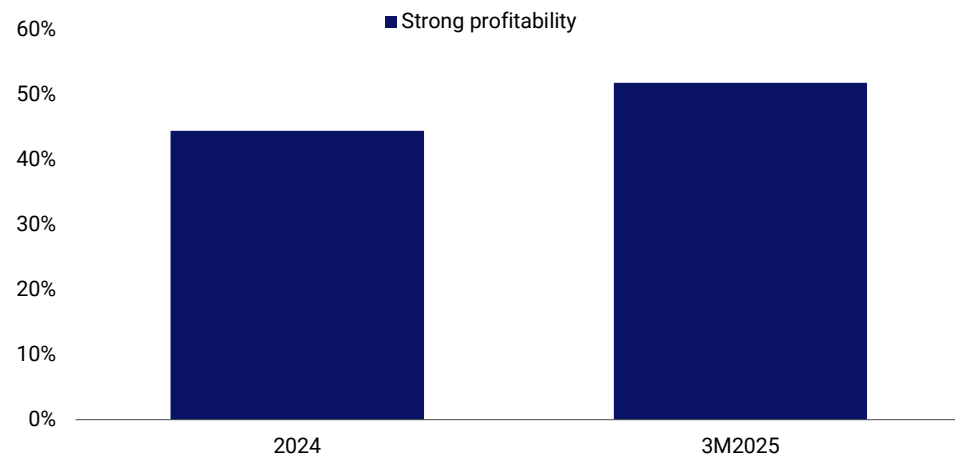
Source: Bank data, VIS Rating

Exhibit 8: Credit growth remained robust across both retail and corporate segments

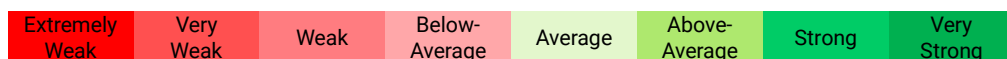


Note: Refer to the Appendix for the full name of banks

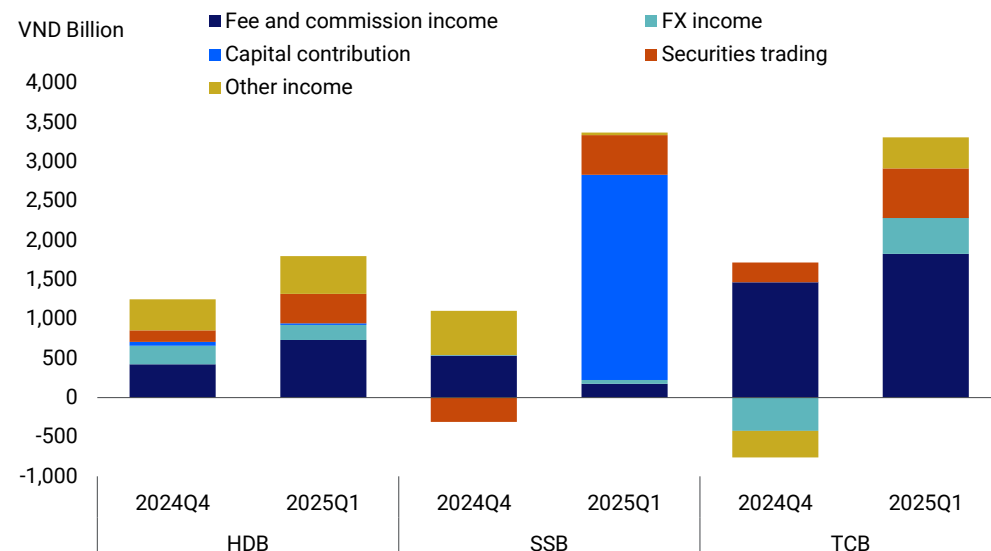
Source: Bank data, VIS Rating

Exhibit 9: Several large banks improved their profitability profile...

Note: Strong profitability is denoted by Strong, and Very Strong categories based on our eight-category assessment scale, as illustrated below



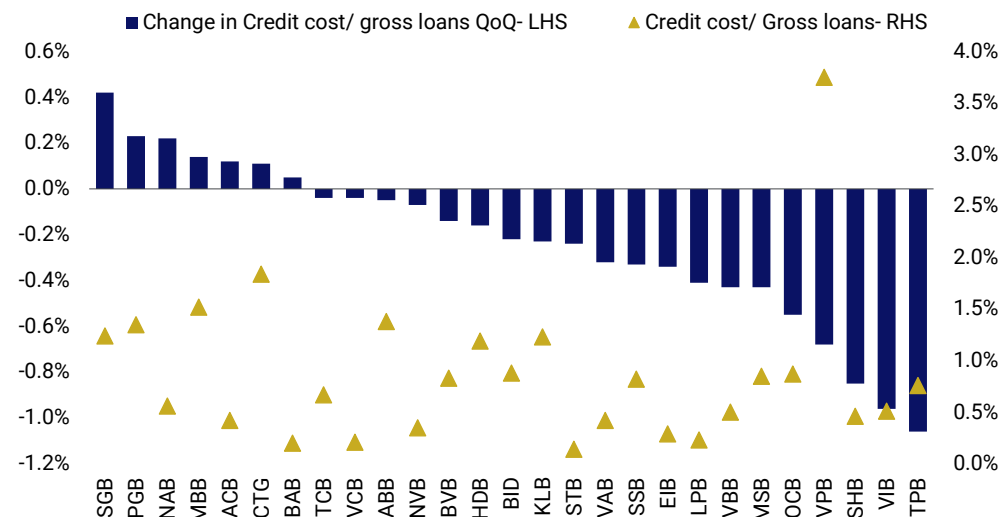
Source: VIS Rating

Exhibit 11: ...stronger fee income and bad debt recoveries

Note: Refer to the Appendix for the full name of banks

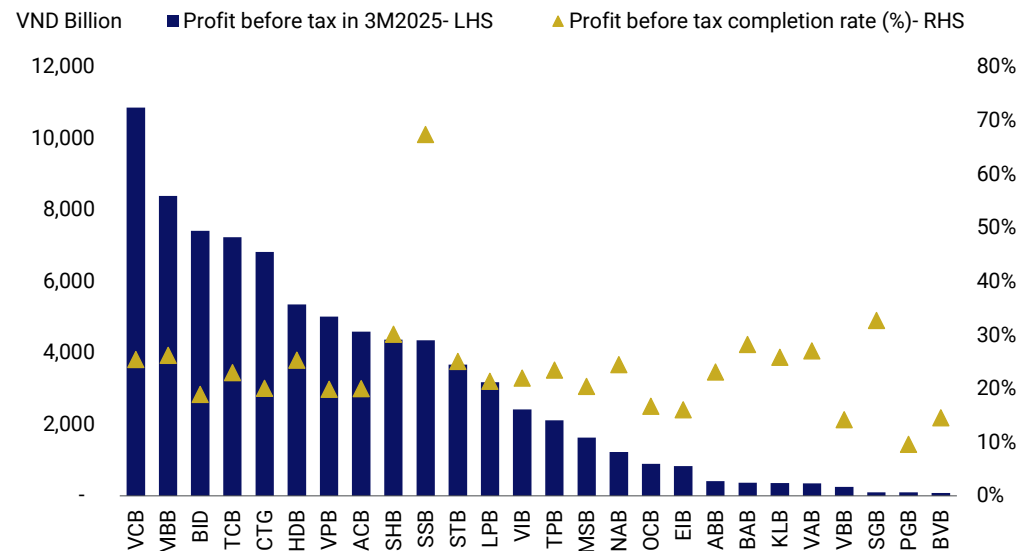
Source: Bank data, VIS Rating

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Exhibit 10: ...supported by lower credit costs...

Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

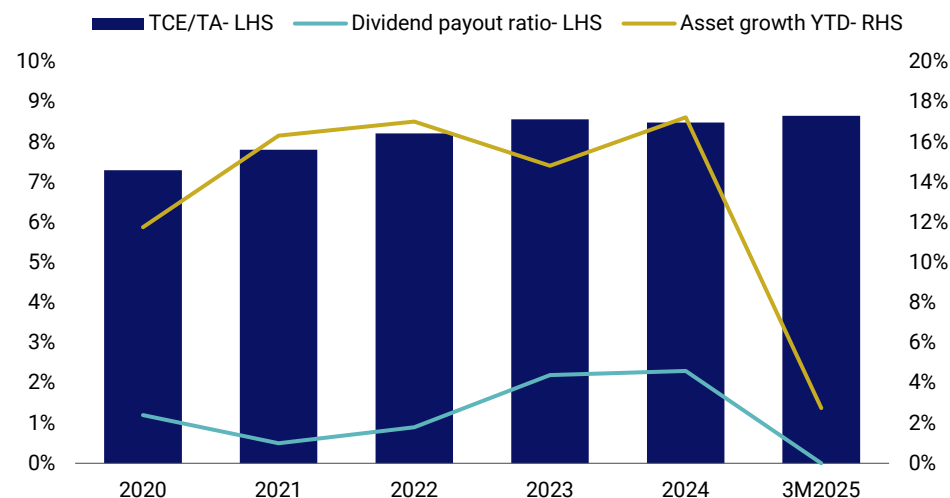
Exhibit 12: Most banks are on track to achieve their target

Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

Weaker loss absorption buffers amid rising problem loans

Exhibit 13: Sector Tangible common equity/Tangible assets (TCE/TA) remained broadly stable in 3M2025

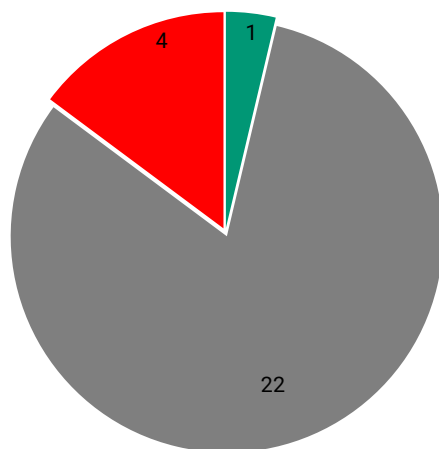


Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

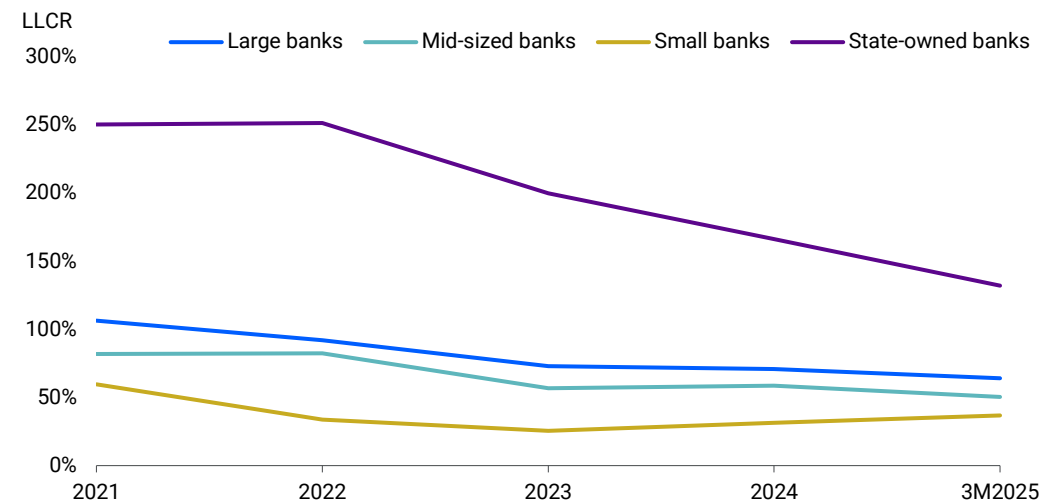
Exhibit 15: Several small banks decreased their capital level due to modest internal capital generation and robust loan growth in 3M2025

Improved Unchanged Deteriorated



Source: VIS Rating

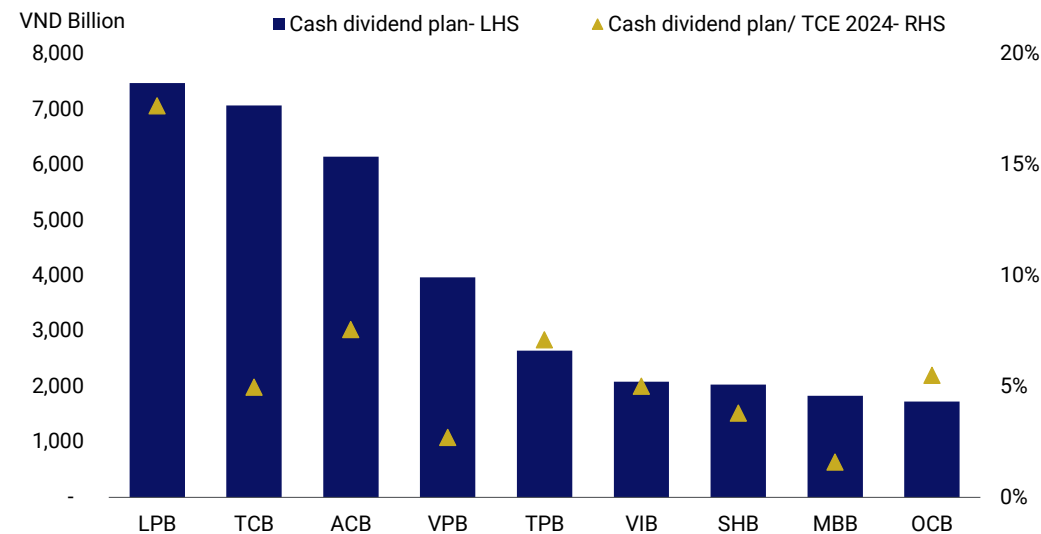
Exhibit 14: Loan loss coverage declined significantly amid higher problem loans from SOBs and mid-sized banks



Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

Exhibit 16: Large cash dividend payouts by several mid-sized banks will erode their capital buffers in 2025

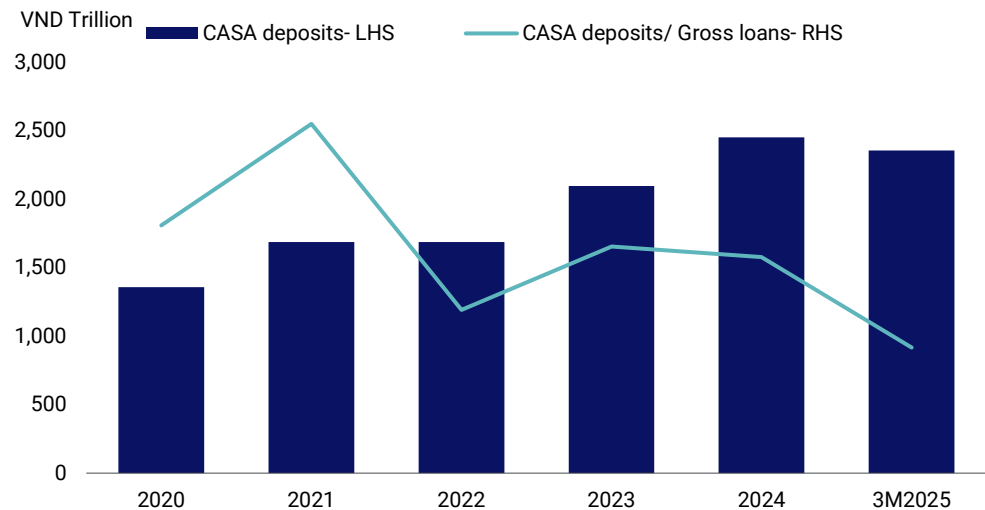


Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

Funding and liquidity profiles weaken, mid-sized banks face greater pressure

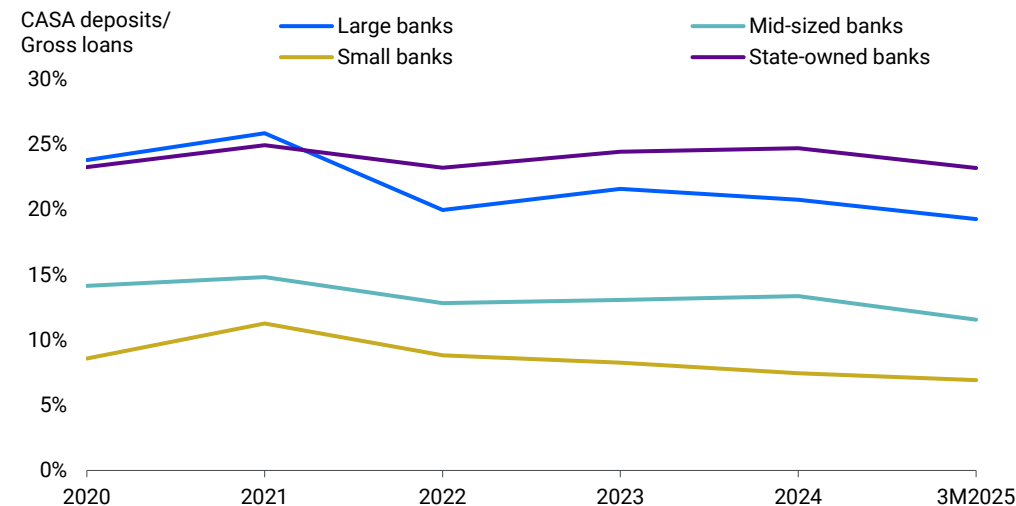
Exhibit 17: Sector CASA deposits/ Gross loans decreased in 3M2025



Note: Sector numbers include 27 listed banks

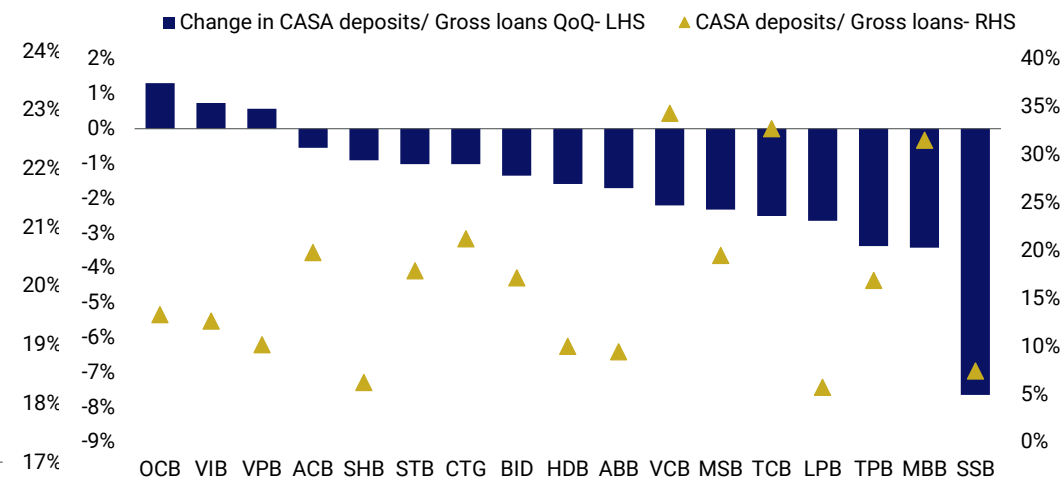
Source: Bank data, VIS Rating

Exhibit 19: CASA deposits for small banks remained weak amid fierce deposit competition...



Source: Bank data, VIS Rating

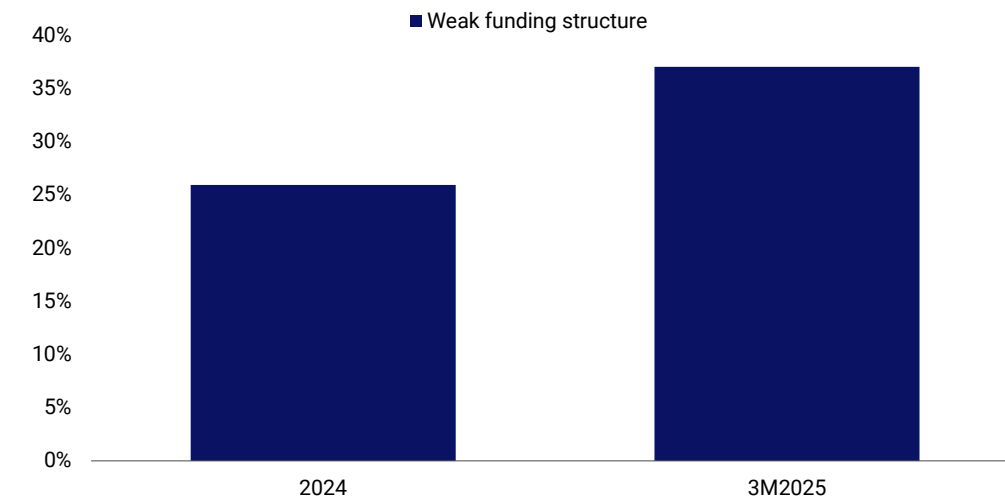
Exhibit 18: Several banks declined their CASA ratio significantly due to corporate deposit outflows



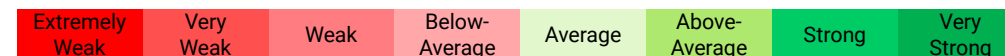
Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

Exhibit 20: ...leading to their weaker-than-peers funding structure profile in 3M2025

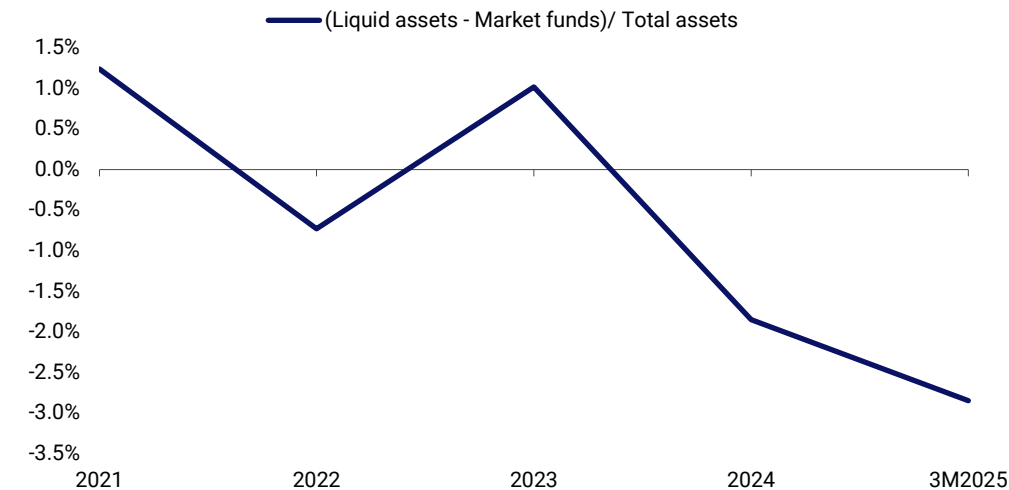


Note: Weak funding structures are denoted by Below-Average, Weak, Very Weak and Extremely Weak categories based on our eight-category assessment scale, as illustrated below



Source: VIS Rating

Exhibit 21: Sector liquidity ratio continued to decline



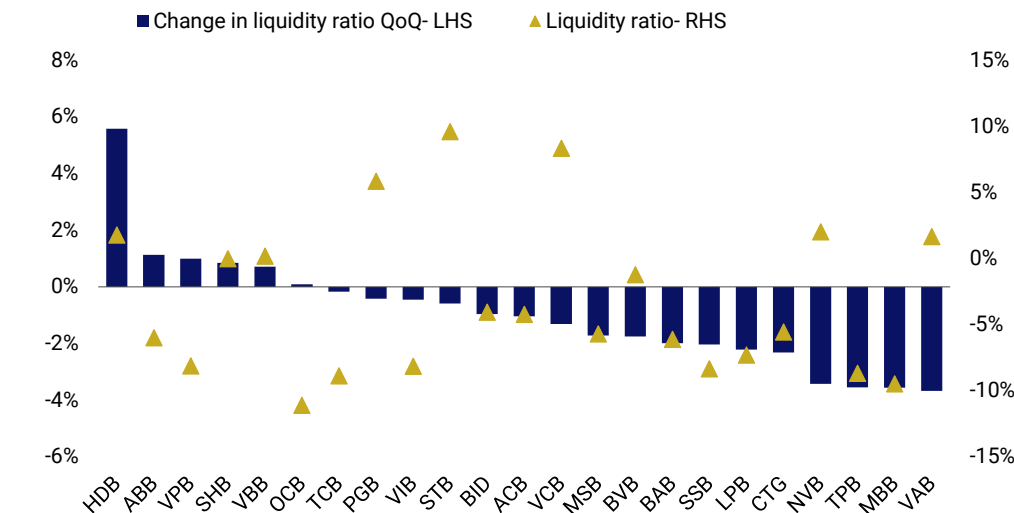
Note: Sector numbers include 27 listed banks

Liquid assets: Cash, balances with the SBV and other credit institutions, Government bonds

Market funds: Deposits and borrowings from SBV and other credit institutions, valuable papers issued

Source: Bank data, VIS Rating

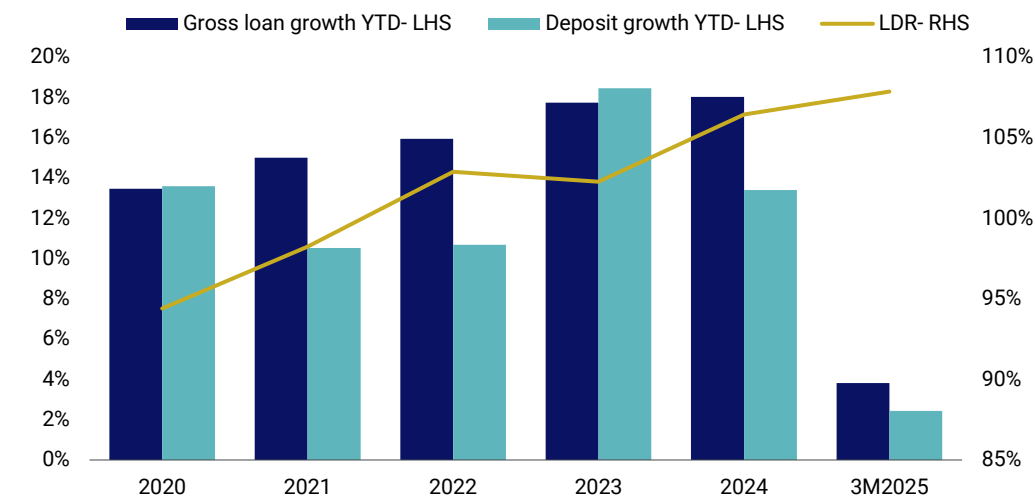
Exhibit 23: Several small and mid-sized banks increased reliance on short-term market funds



Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

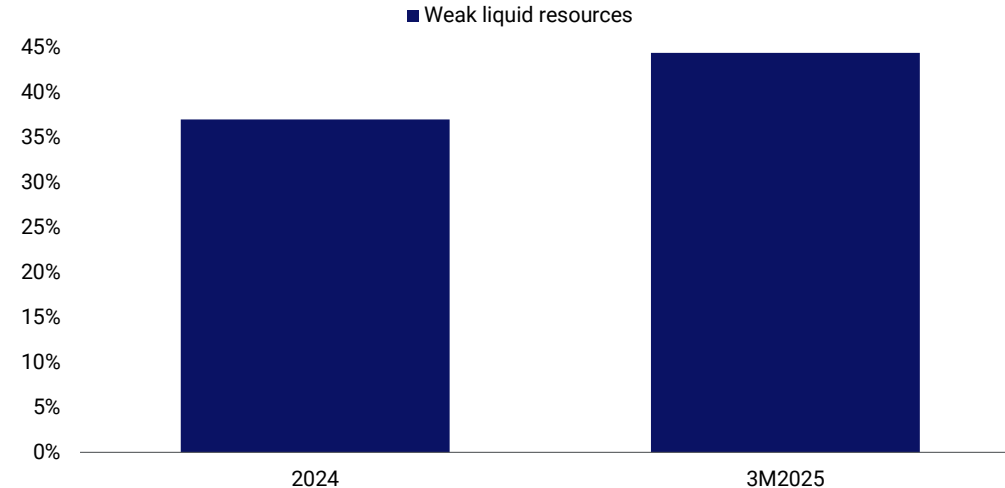
Exhibit 22: Sector LDR rose as loan growth outpacing deposit growth



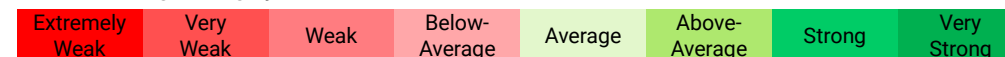
Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

Exhibit 24: Liquid resources remained weak for several small and mid-sized banks in 3M2025



Note: Weak liquid resources are denoted by Below-Average, Weak, Very Weak and Extremely Weak categories based on our eight-category assessment scale, as illustrated below



Source: VIS Rating

APPENDIX

The banks included in our analysis are as follows:

	Short name	Full name	Classification
1	ABB	An Binh Commercial Joint Stock Bank	Small
2	ACB	Asia Commercial Joint Stock Bank	Large
3	AGRIBANK	Vietnam Bank For Agriculture And Rural Development	State-owned
4	BAB	Bac A Commercial Joint Stock Bank	Small
5	BID	Joint Stock Commercial Bank for Investment and Development of Vietnam	State-owned
6	BVB	Viet Capital Commercial Joint Stock Bank	Small
7	CTG	Vietnam Joint-Stock Commercial Bank for Industry and Trade	State-owned
8	EIB	Vietnam Commercial Joint Stock Export Import Bank	Mid-sized
9	HDB	Ho Chi Minh City Development Joint Stock Commercial Bank	Large
10	KLB	Kien Long Commercial Joint Stock Bank	Small
11	LPB	Fortune Vietnam Joint Stock Commercial Bank	Mid-sized
12	MBB	Military Commercial Joint Stock Bank	Large
13	MSB	Vietnam Maritime Commercial Joint Stock Bank	Mid-sized
14	NAB	Nam A Commercial Joint Stock Bank	Mid-sized
15	NVB	National Citizen Commercial Joint Stock Bank	Small
16	OCB	Orient Commercial Joint Stock Bank	Mid-sized
17	PGB	Prosperity and Growth Commercial Joint Stock Bank	Small
18	SGB	Saigon Bank for Industry and Trade	Small
19	SHB	Saigon - Hanoi Commercial Joint Stock Bank	Large
20	SSB	Southeast Asia Commercial Joint Stock Bank	Mid-sized
21	STB	Saigon Thuong Tin Commercial Joint Stock Bank	Large
22	TCB	Vietnam Technological and Commercial Joint-Stock Bank	Large
23	TPB	Tien Phong Commercial Joint Stock Bank	Mid-sized
24	VAB	Vietnam Asia Commercial Joint Stock Bank	Small
25	VBB	Vietnam Thuong Tin Joint Stock Commercial Bank	Small
26	VCB	Joint Stock Commercial Bank for Foreign Trade of Vietnam	State-owned
27	VIB	Vietnam International Commercial Joint Stock Bank	Mid-sized
28	VPB	Vietnam Prosperity Joint Stock Commercial Bank	Large

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