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Banking Sector: 6M2026 Update

Credit Divergence Widens Amid Rising Asset and Funding Risks

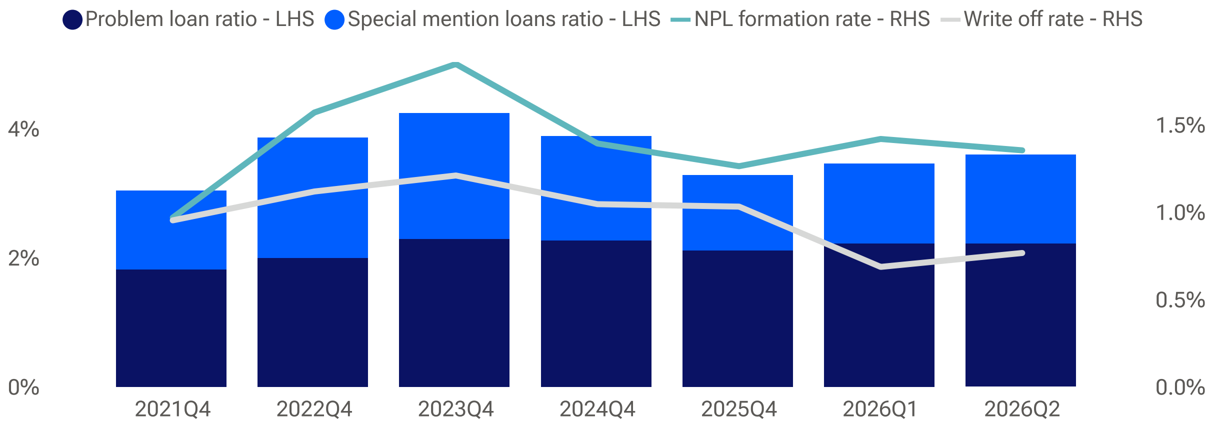
Credit divergence widened across Vietnamese banks in 6M2026 as elevated interest rates, tight operating conditions – stemming from prolonged geopolitical tensions – further increased funding pressures and asset risks. Large banks and State-owned banks (SOBs) outperformed their peers, supported by stronger funding profiles and improving profitability, while smaller banks remained constrained by rising credit costs and weaker margins amid intense deposit competition. We expect these credit gaps to persist in 2H2026, with asset, funding and liquidity risks remaining key credit challenges for banks. In addition, rapid loan growth and ongoing cash dividend payouts will keep sector loss-absorption buffers modest.

Improved **Stable** **Deteriorated**

Factors	Trend	Key highlights
Asset Quality		**Asset risks broadened across banks, as higher borrowing costs and tight operating conditions weakened borrower repayment capacity** • Sector overdue loan ratios increased to 3.8% in 6M2026 from 3.3% in 2025, reflecting broader stress across retail and corporate borrowers. • Retail loan delinquencies expanded beyond small and mid-sized banks (e.g., OCB, LPB, SGB, VAB, KLB, ABB) to selected large banks (e.g., TCB), particularly in mortgage and/or household business loans, as elevated interest rates and rising household leverage strained borrowers' debt serviceability. • Corporate credit risks also emerged at several large banks (e.g., HDB, STB, CTG), particularly among real estate, F&B, and agricultural borrowers, as higher financial and logistics costs - stemming from geopolitical tensions - squeezed margins and cash flows. • In contrast, VCB and ACB maintained stable overdue loan ratios, supported by diversified lending portfolios, prudent underwriting practice with lower exposure to higher-risk real estate sectors. • We expect sector asset risks to remain high through 2H2026 amid elevated interest rates, particularly at banks with significant retail exposure and rapid growth in higher-risk real estate lending.
Profitability		**Profitability divergence will increase, with large banks outperforming peers on stronger margins and diversified earnings** • Sector ROAA rose by 10 bps QoQ to 1.51% in 6M2026, driven by NIM improvements at some SOBs and large private banks. • These banks offset rising deposit costs through higher lending yields, supported by rapid growth in long-term, higher-yielding real estate (e.g., MBB, HDB) and unsecured retail lending (e.g., TCB), and faster loan repricing at SOBs (e.g., VCB, CTG). Profits at large private banks (e.g., TCB, HDB) were further supported by investment banking-related fee income at their securities subsidiaries. • In contrast, smaller banks' ROAA declined by 20 bps on average from prior year, reflecting margin compression from higher deposit competition and deposit costs (e.g., MSB, SSB), and higher credit costs (e.g., SGB, VAB, PGB, BAB, STB). • We expect sector ROAA to be stable at around 1.5%, as rising credit costs across the sector offset NIM improvement at selected large banks.
Capital		**Sector loss absorption buffers remained modest amid rising asset risks** • Sector TCE/TA declined slightly to 8.3% in 6M2026 from 8.4% in 3M2026 due to cash dividend payouts in several large and mid-sized banks (e.g., ACB, LPB, VPB and VIB). • Sector loan loss coverage ratio fell to 79% in 6M2026, 4 percentage points lower than end-2025, amid rising loan delinquencies, particularly at some SOBs (e.g., CTG, BID). • We expect the sector loss absorption buffers to deteriorate in 2H2026, pressured by rapid loan growth and cash dividends at SOBs.
Funding & Liquid Resources		**Sector funding and liquidity risk will persist amid strong long-term loan expansion** • Sector CASA deposits/gross loans remained stable at 18%, supported by higher CASA deposits at large banks and SOBs with strong deposit franchises. Large banks (e.g. TCB, ACB, HDB) will continue to diversify fundings through long-term offshore borrowings to support loan growth. • In contrast, liquidity risks remain elevated at small and mid-sized banks due to continued reliance on short-term interbank funding amid high loan growth and intense deposit competition. • We view the higher short-term funding for medium and long-term lending ratio (SMLR) cap from 30% to 40% will increase funding mismatch and refinancing risks for banks, as it allows greater use of short-term, confidence-sensitive market funds to support longer-term loans.

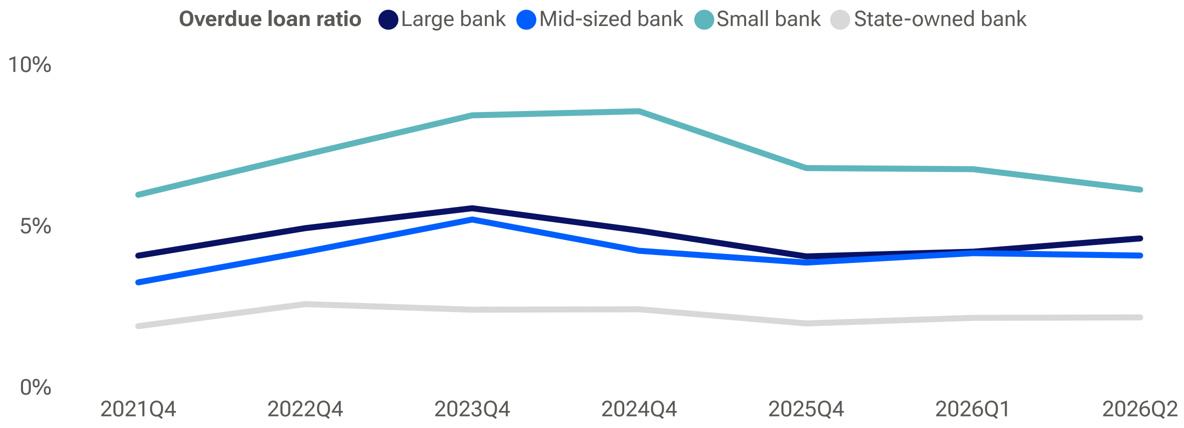
Asset risks broadened across banks, as higher borrowing costs and tight operating conditions weakened borrower repayment capacity

Exhibit 1: Sector overdue loan ratios rose across retail and corporate borrowers



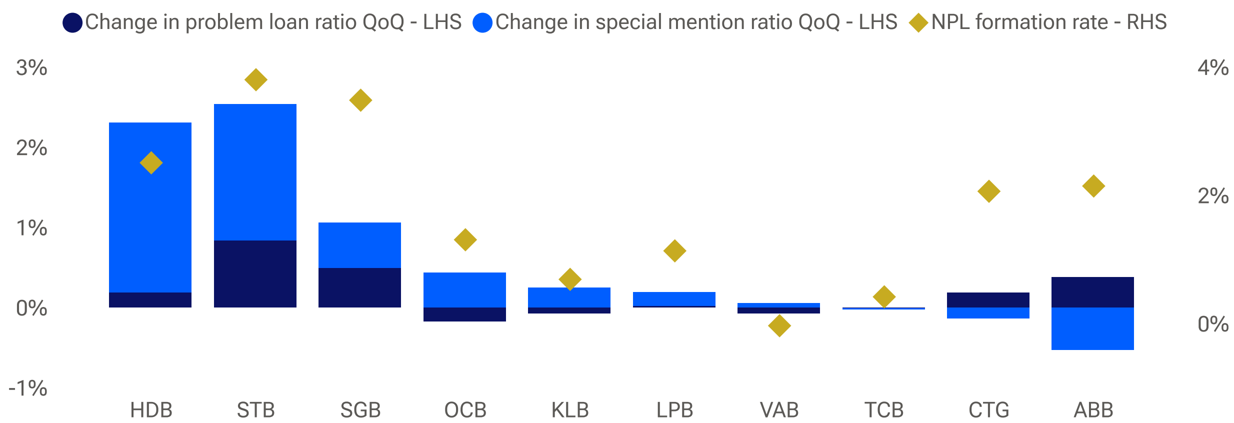
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 2: Retail loan delinquencies expanded beyond small and mid-sized banks to selected large banks...



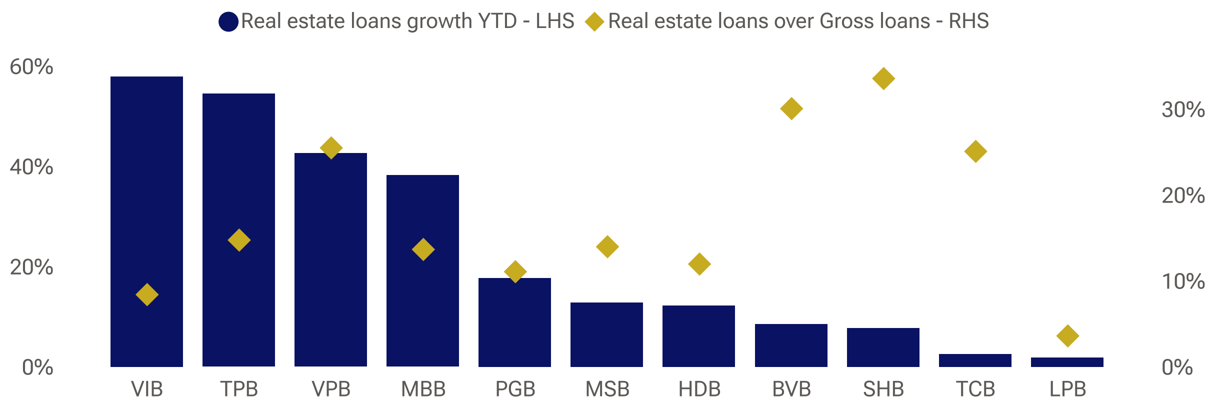
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 3: Corporate credit risks rosed at several large banks



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

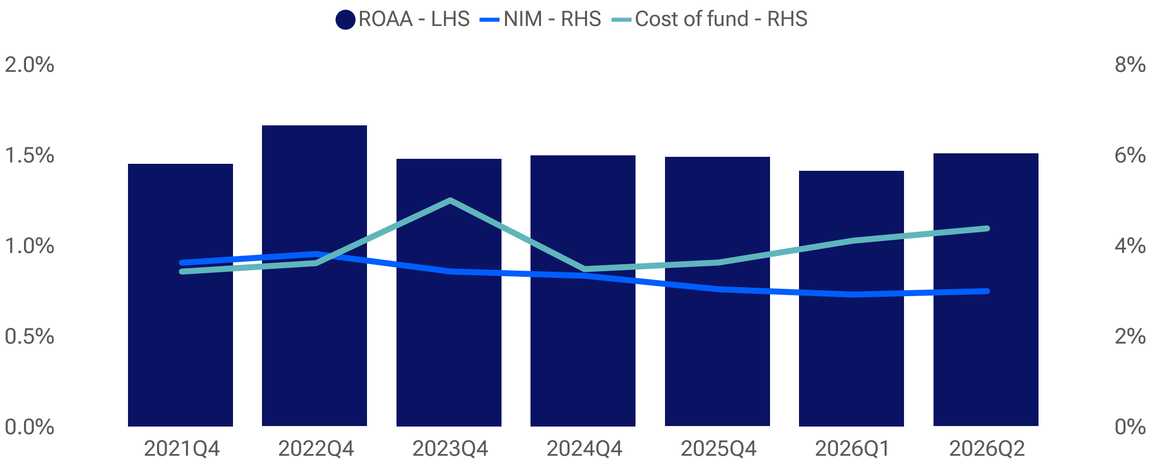
Exhibit 4: Sector asset risk will remain elevated, particularly for banks with rapid growth in higher-risk real estate lending



Note: Refer to the Appendix for the full name of banks.; Real estate lending data cover developers only;
Source: Bank data, VIS Rating

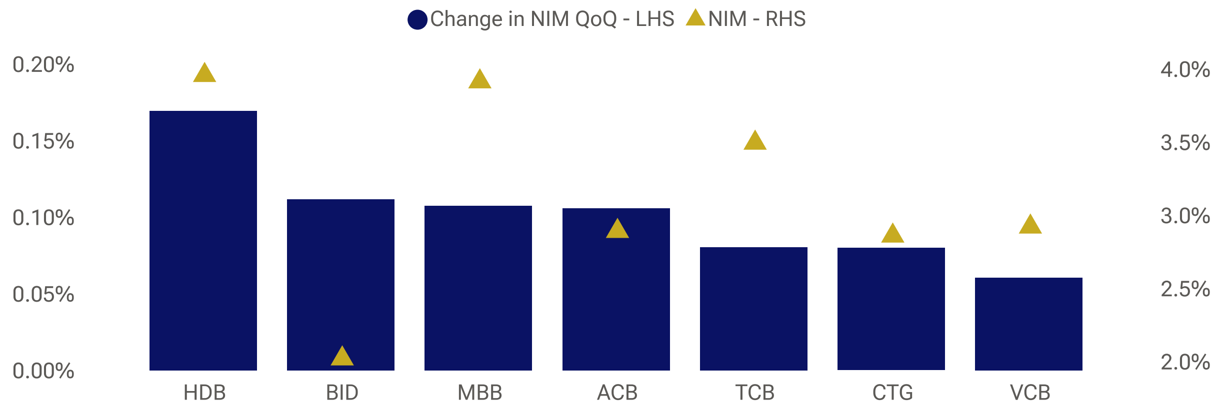
Profitability divergence will increase, with large banks outperforming peers on stronger margins and diversified earnings

Exhibit 5: Sector ROAA rose by 10 bps QoQ to 1.51% in 6M2026 ...



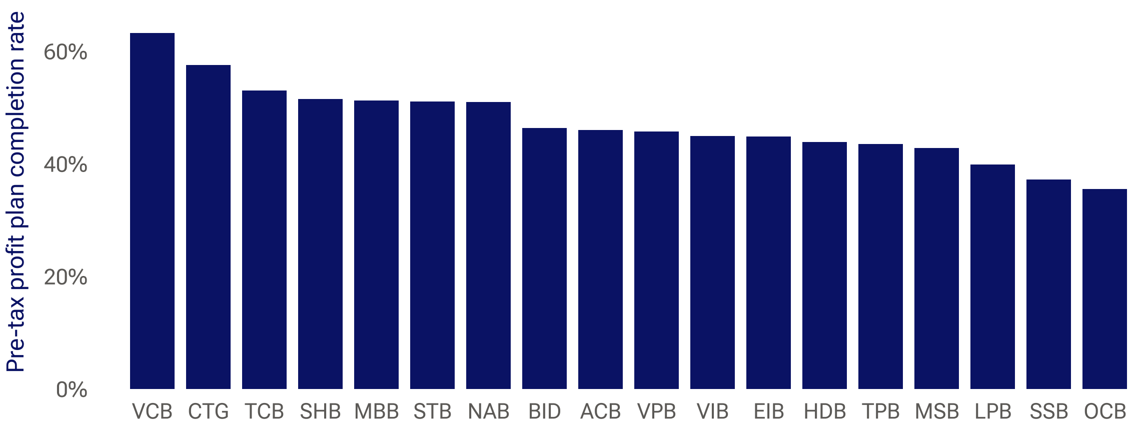
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 6: ... led by NIM improvements at SOBs and large banks



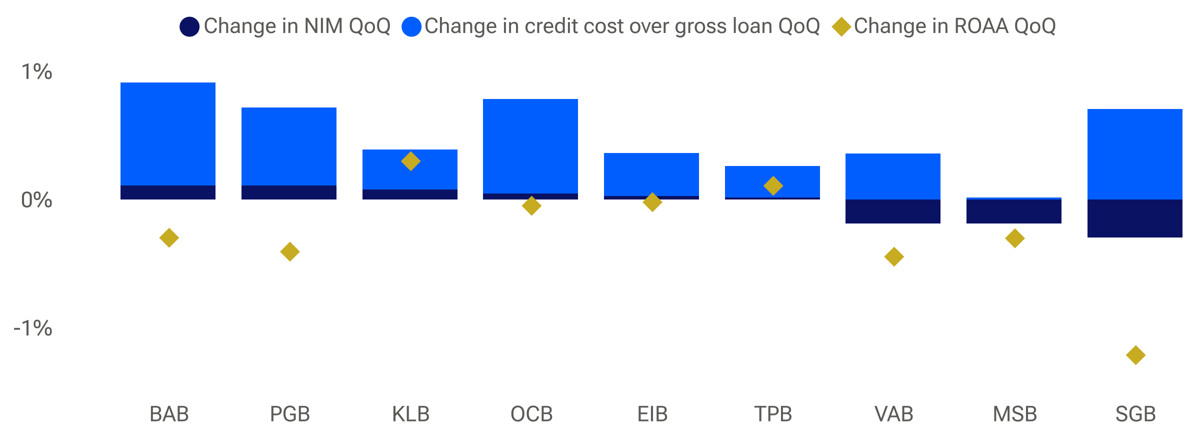
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 7: Most SOBs and large banks are on track to meet 2026-full year profit targets



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

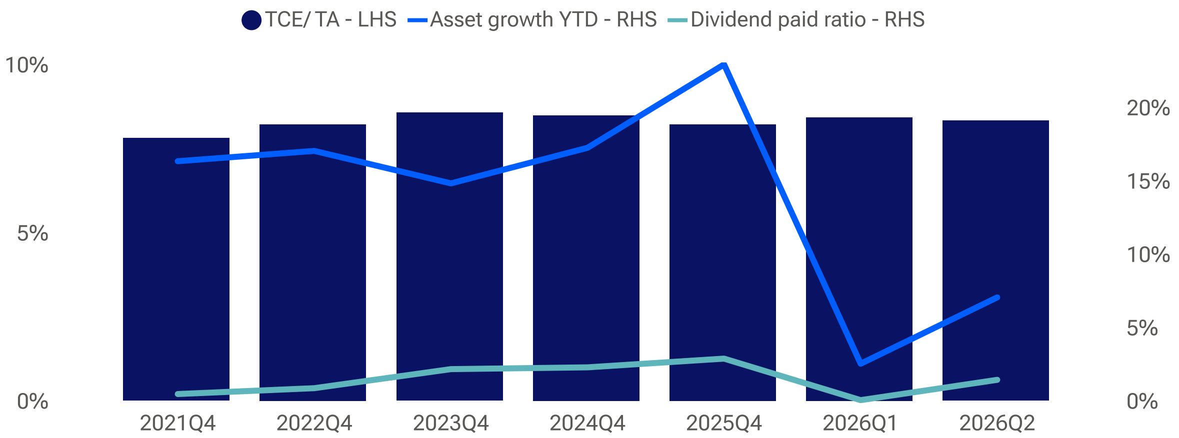
Exhibit 8: Smaller banks face profitability pressure from margin compression and higher credit costs



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

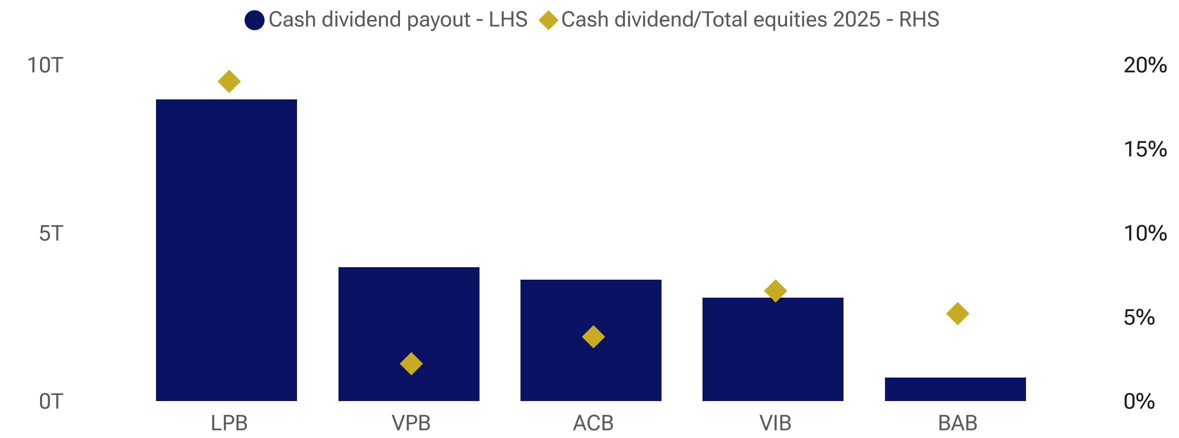
Sector loss absorption buffers remained modest amid rising asset risks

Exhibit 9: Sector TCE/ TA declined slightly in 6M2026...



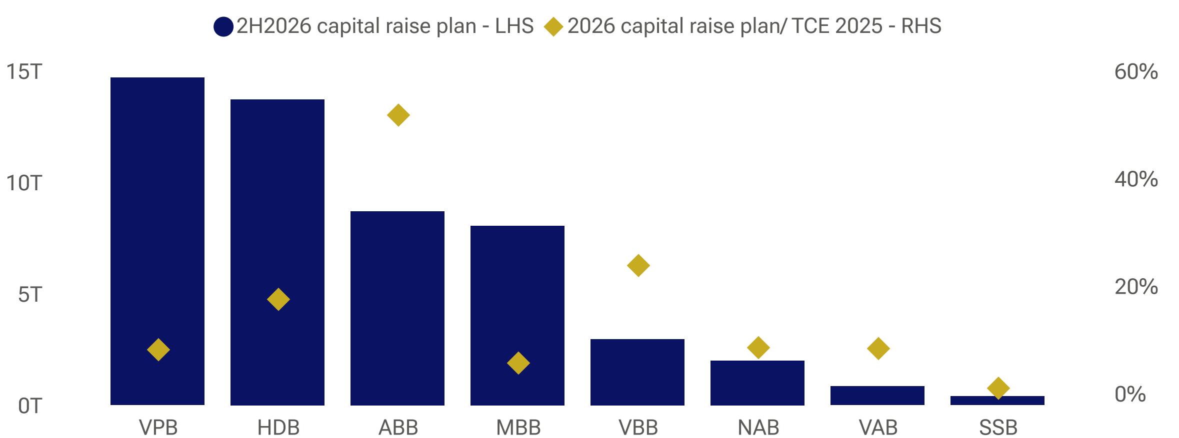
Note: Sector numbers include 27 listed banks. YTD means year-to-date
Source: Bank data, VIS Rating

Exhibit 10: ... due to cash dividend payouts in several large and mid-sized banks



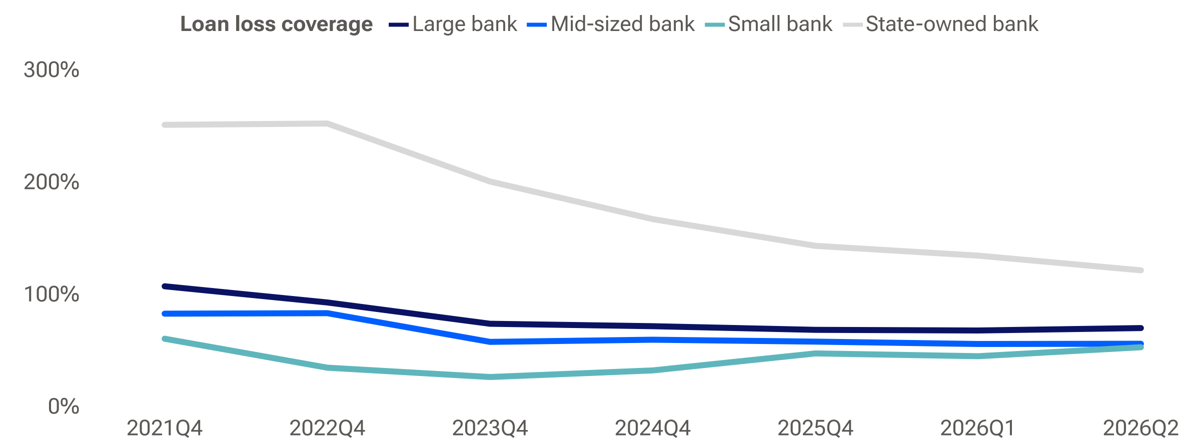
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 11: Planned capital raises in 2H2026 will bolster buffers at several banks



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

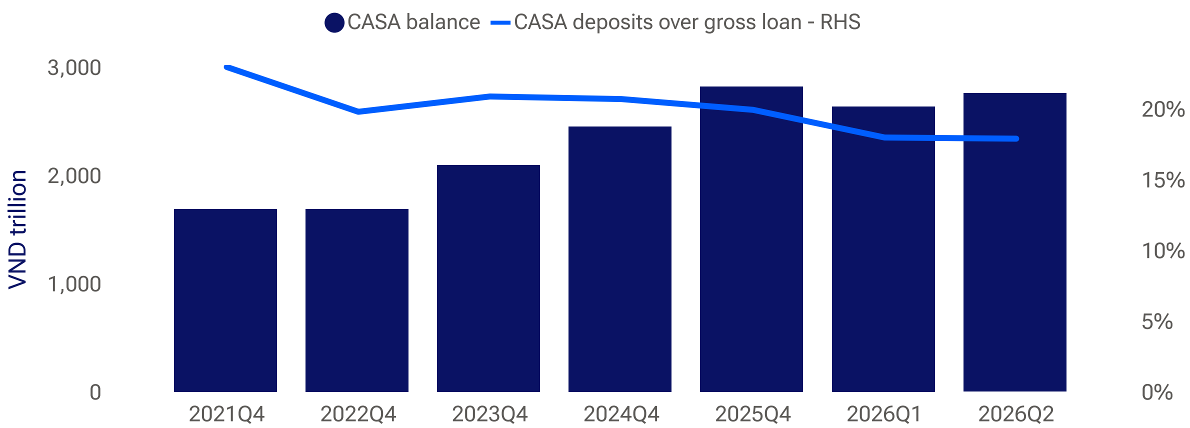
Exhibit 12: Sector LLCR continue declined amid rising loan delinquencies, particularly at some SOBs



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

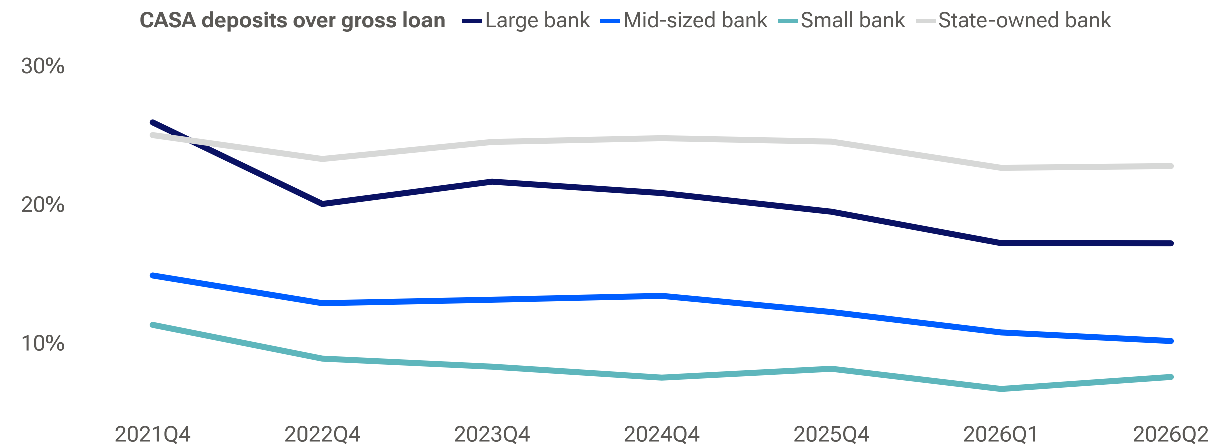
Sector funding and liquidity risk will persist amid strong long-term loan expansion

Exhibit 13: Sector-wide CASA/gross loans remained stable...



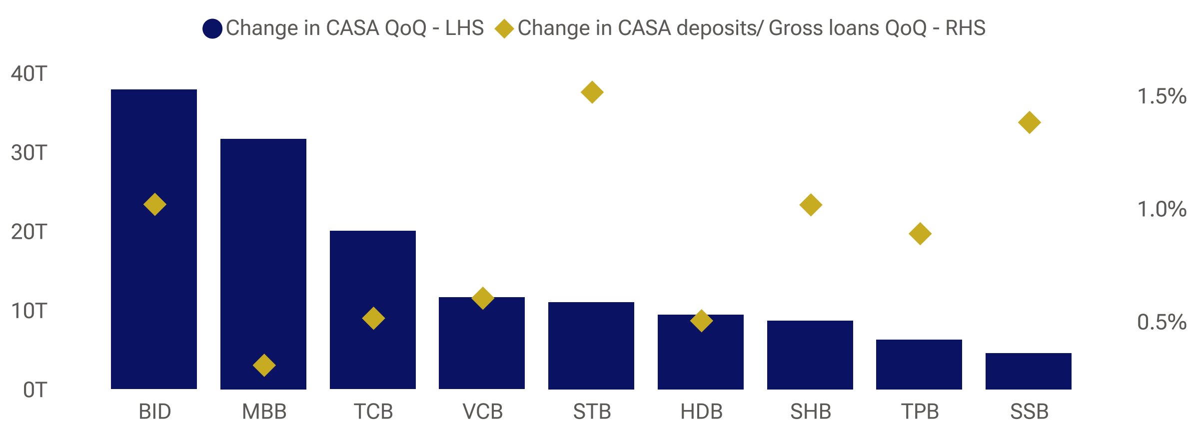
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 14: ...supported by stronger CASA deposit at large banks and SOBs...



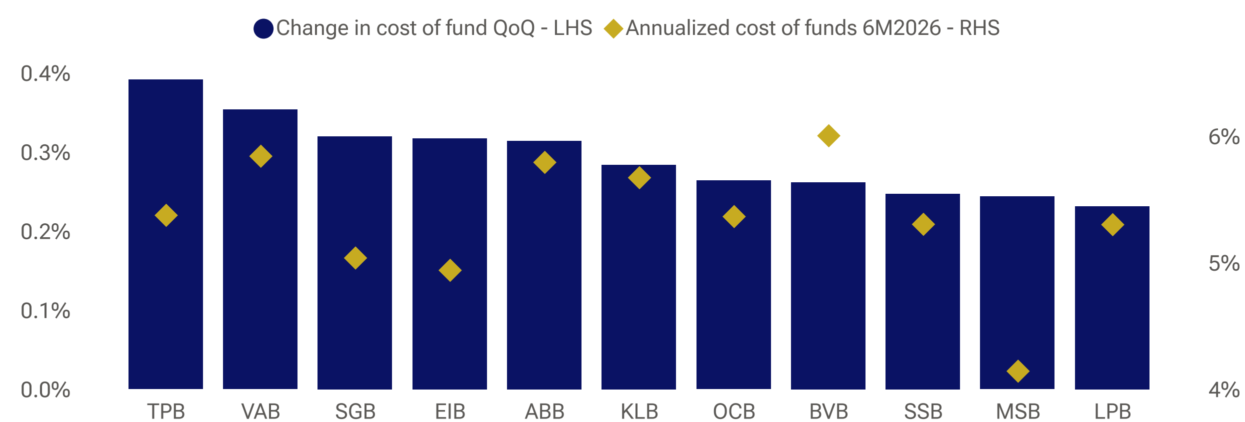
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 15: ... with strong deposit franchises



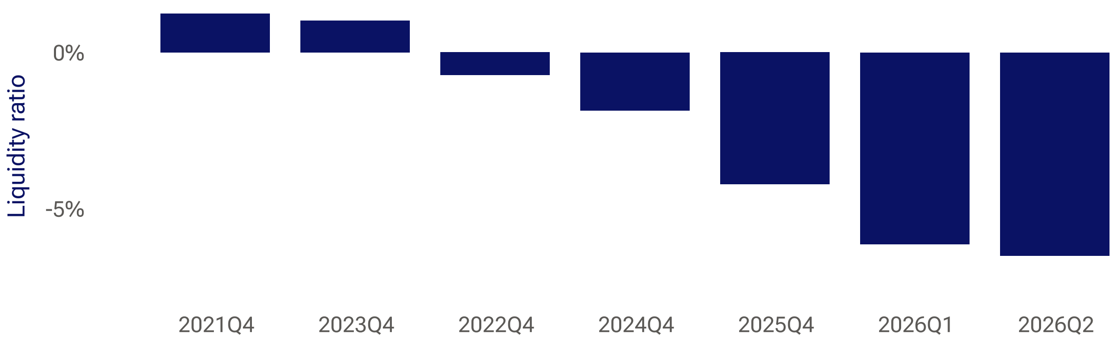
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 16: Deposit competition drove higher funding costs, especially for small and mid-sized banks



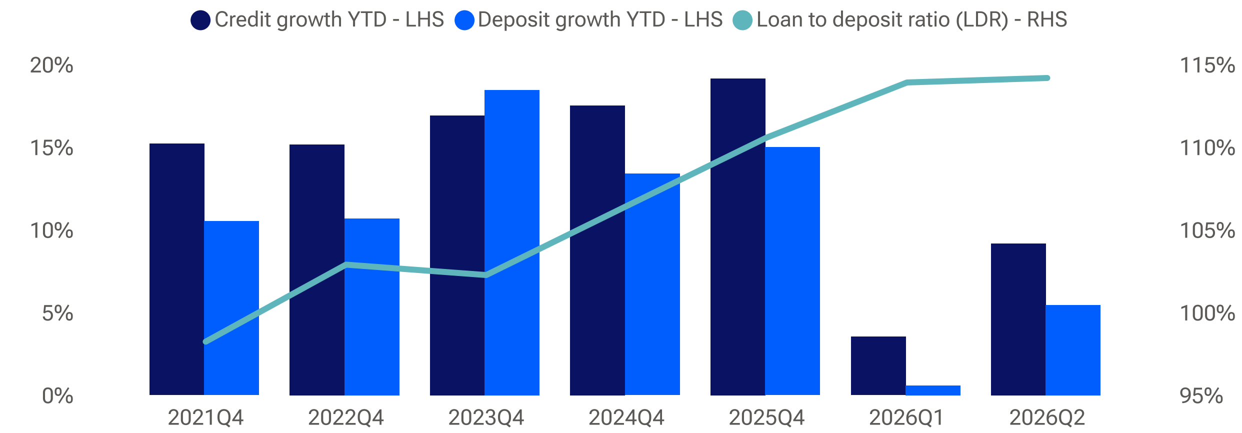
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 17: Sector liquidity ratio continued to decline



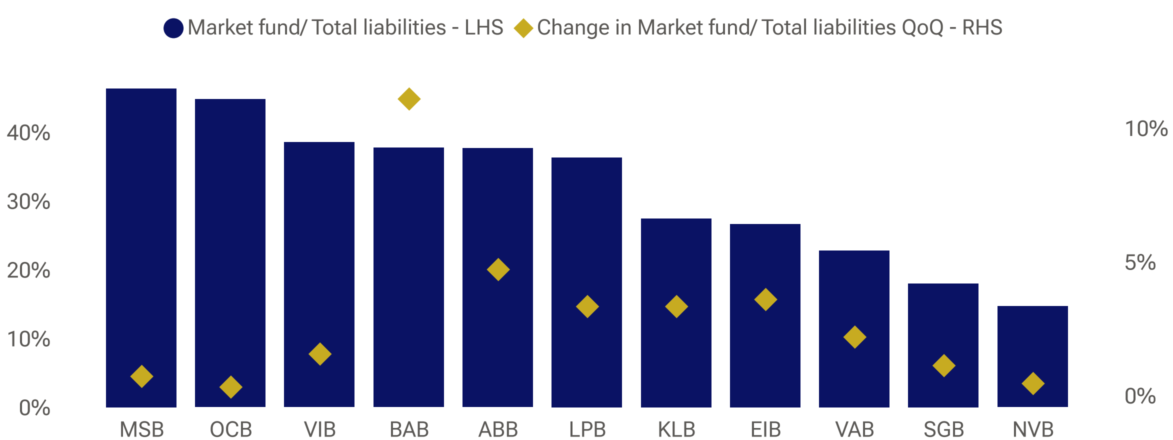
Note: Sector numbers include 27 listed banks
Liquidity ratio equals high liquid assets minus market funds over total assets;
High liquid assets include Cash, balances with SBV and other credit institutions, Government bonds.
Market funds include Deposits and borrowings from SBV and other credit institutions,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

Exhibit 18: Sector LDR remained elevated, despite stronger deposit growth



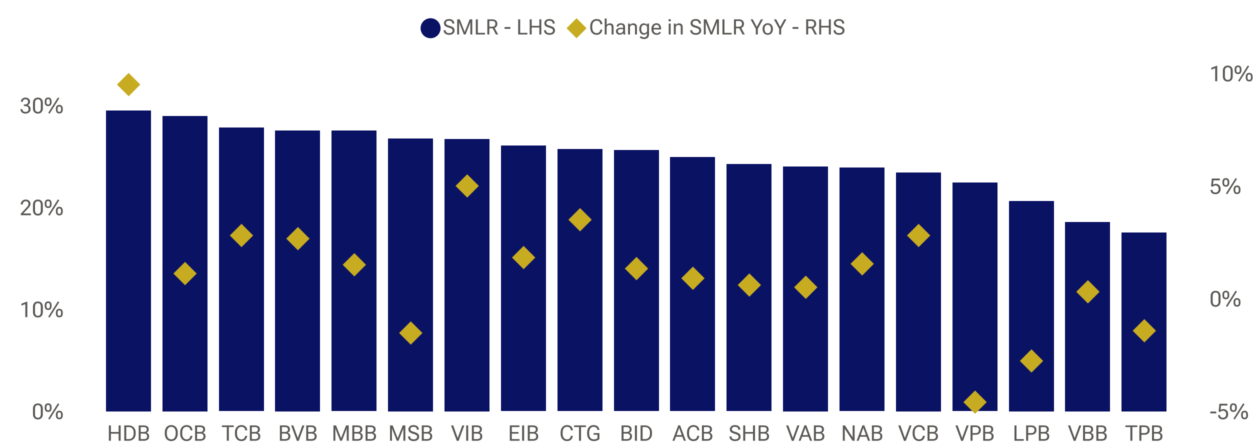
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 19: Elevated liquidity risks at smaller banks amid higher reliance on short-term market funds



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

Exhibit 20: Higher SMLR cap will increase funding mismatch and refinancing risks for banks



Note: Refer to the Appendix for the full name of banks; SMLR for TCB, HDB, MBB, VPB, and ACB is based on 2Q2026 data, with SMLR changes calculated on a YTD basis; other banks use FY2025 data.
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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