Banking Sector: 9M2026 Update

Elevated Rates Amplify Sector-wide Asset Risks and Credit Costs; Infrastructure Demand Sustains Funding Pressure

Bank credit fundamentals weakened modestly in 9M2026, as tighter funding, higher costs and cash-flow pressures—stemming from geopolitical tensions - reduced borrowers' repayment capacity, amplify sector-wide asset risks and increased credit costs, with small and mid-sized banks under the greatest pressure. Slower lending growth in 3Q2026 as banks near annual credit quotas, and increased long-term offshore borrowings eased near-term liquidity pressure. However, strong long-term credit demand will sustain structural funding pressure, while modest equity -raising plans will provide limited support for continued loan growth. Over the next 12–18 months, elevated asset risks, credit costs and funding costs will weigh on sector profitability and loss-absorption capacity.

Improved Stable Deteriorated

Factors	Trend	Key highlights
Asset Quality		**Higher lending rates drive NPL formation and amplify sector-wide asset risks** • Sector problem loan ratio rose to 2.3% in 9M2026 from 2.2% in 6M2026, as higher borrowing costs and higher operating costs weakened retail and SME borrowers' repayment capacity. • Asset quality deteriorated across banks, most pronounced at mid-sized (e.g., VIB, OCB, MSB, TPB, EIB) and small banks (e.g., ABB, PGB, VBB, BAB), reflecting their greater exposure to vulnerable retail and SME borrowers. • Problem-loan ratio at large banks—such as TCB, ACB, STB, HDB, BID, and VCB—rose by an average of 14 bps QoQ, driven by retail mortgages, consumer loans, and/or SME exposure to real estate, construction, and manufacturing, indicating broader asset-quality deterioration. • We expect sector asset risk to remain elevated, with high borrowing costs continue to constrain borrowers' repayment capacity.
Profitability		**Rising credit costs amid elevated asset risks will weigh on bank profitability** • Sector ROAA remained broadly stable at 1.5% in 9M2026, as higher lending yields and NIM at selected large banks offset rising credit costs. • Profitability diverged among large banks: TCB, ACB benefit from high-yielding long term lending to real estate and construction sector, as well as higher fee income from insurance and settlement services (e.g., TCB). Meanwhile, profit growth slowed at VCB, CTG, STB, and HDB due to rising credit costs, compounded by NIM compression from higher deposit costs at STB and HDB. • Small and mid-sized banks faced greater earnings pressure, with intense deposit competition squeezing NIMs year on year.
Capital		**Ongoing equity-raising plans remain modest to strengthen capital buffers** • Sector TCE/TA remained stable at 8.3% in 9M2026, supported by stable profits and no cash dividends in 3Q2026. • Loan-loss coverage fell 4 percentage points to 75% in 3Q2026 from rising problem loans, particularly at large banks. • Planned equity issuance remains modest at less than 8% of sector TCE (e.g., VCB, BID, HDB, MSB, NVB, VAB, ABB) and will take time to complete, limiting loss-absorption buffers for loan growth.
Funding & Liquid Resources		**Structural funding pressures will persist despite near-term liquidity relief** • Sector CASA deposits-to-gross loans fell 50 bps QoQ to 17.3% as depositors shifted towards higher-yield term deposits and CDs amid elevated interest rates. • Sector LDR dropped to 112% from 114% in 6M2026, easing short-term liquidity pressure, as lending slowed when banks neared their annual credit quotas and long-term offshore borrowings increased (e.g., at ACB, HDB, and TCB). • Circular 50 further eases near-term LDR compliance pressure while supporting the transition to Basel III liquidity standards-a longer-term credit positive. • Despite this near-term relief, strong infrastructure-related credit demand will sustain structural funding pressure over the next 12–18 months, keeping deposit competition and rates elevated.

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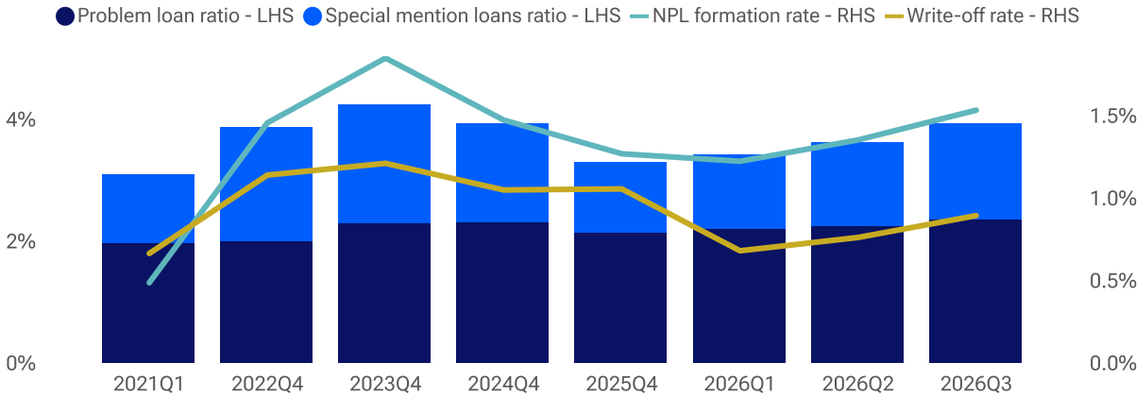
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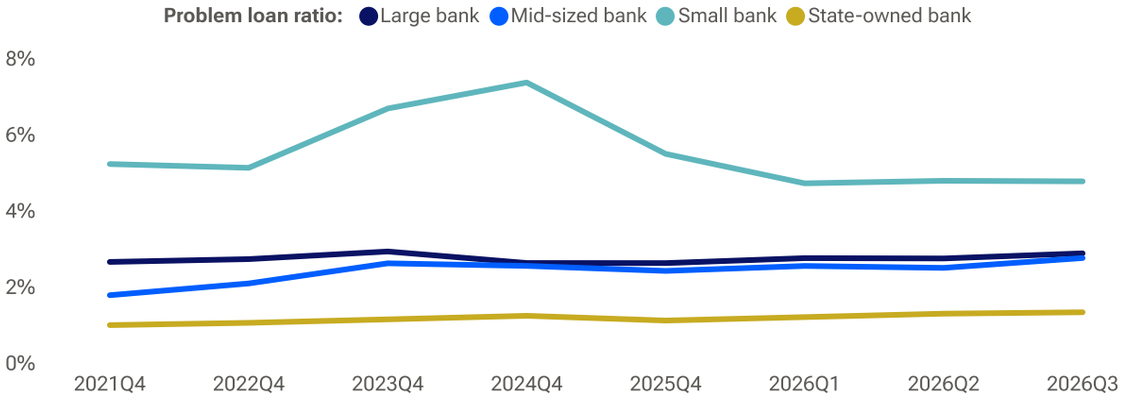
Higher lending rates drive NPL formation and amplify sector-wide asset risks

Exhibit 1: Sector problem loans rose as higher borrowing and operating costs ...



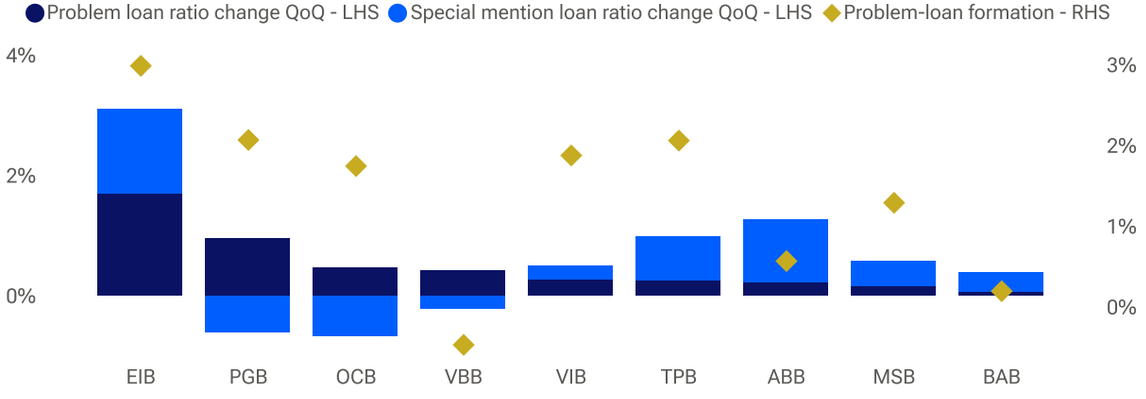
Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

Exhibit 2: ... weakened retail and SME borrowers' repayment capacity



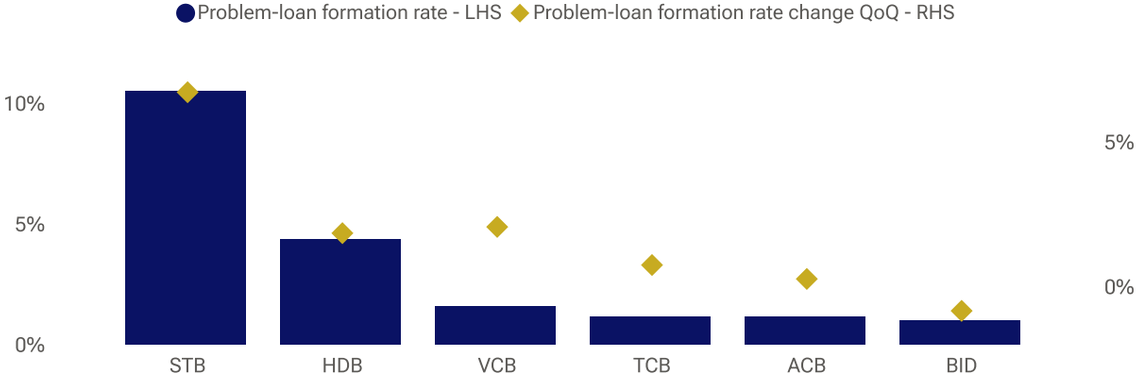
Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

Exhibit 3: Asset quality deteriorated across banks, most pronounced at mid-sized and small banks



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

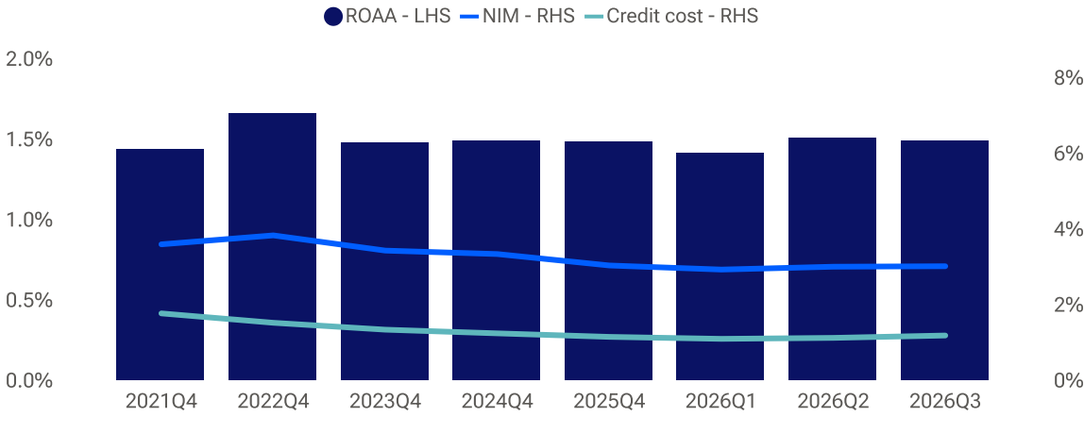
Exhibit 4: Large banks also rose problem loans from retail mortgages, consumer loans, and/or SME exposures to real estate, construction and manufacturing



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

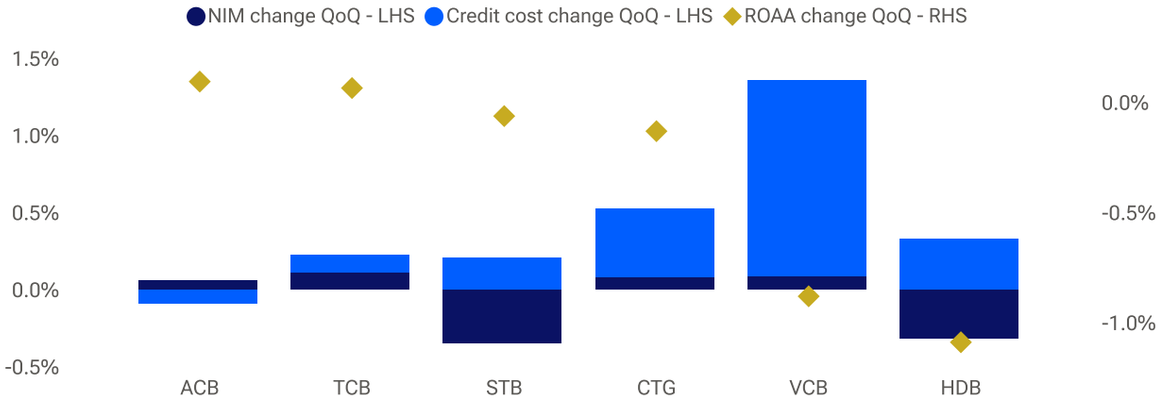
Rising credit costs amid elevated asset risks will weigh on bank profitability

Exhibit 5: Sector ROAA remained broadly stable as higher lending yields and NIM offset rising credit costs



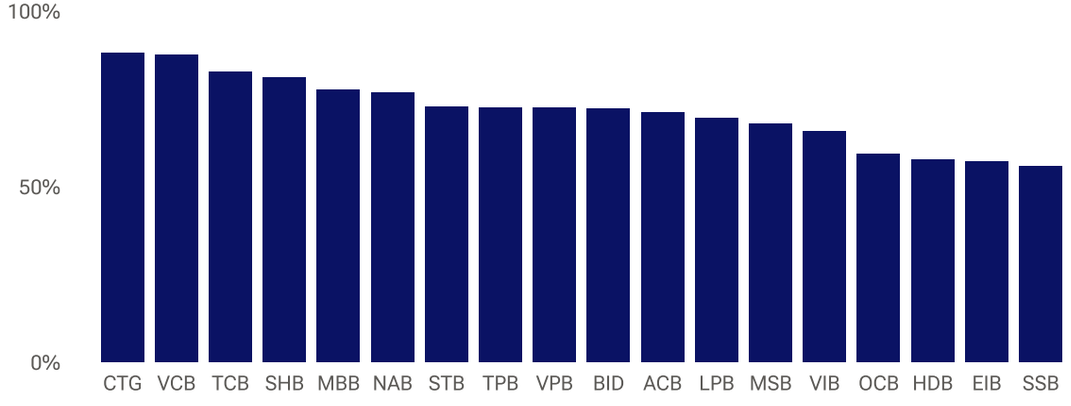
Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

Exhibit 6: Profit diverged among large banks



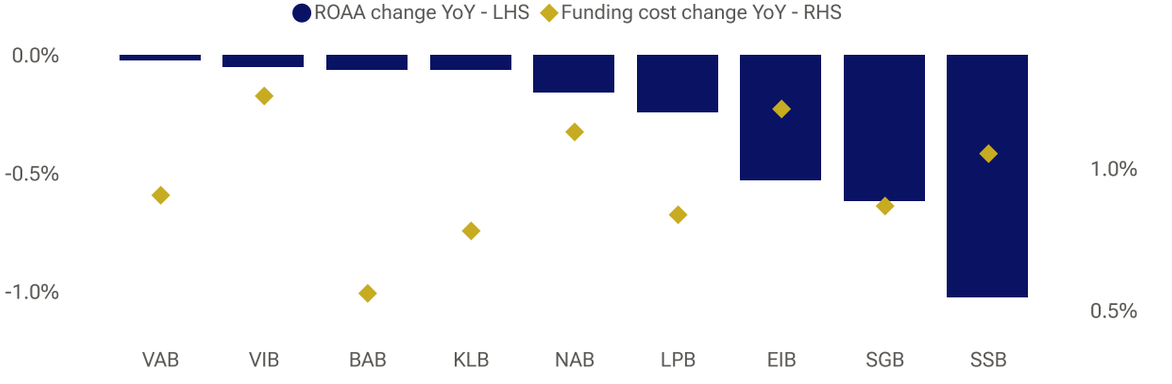
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

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

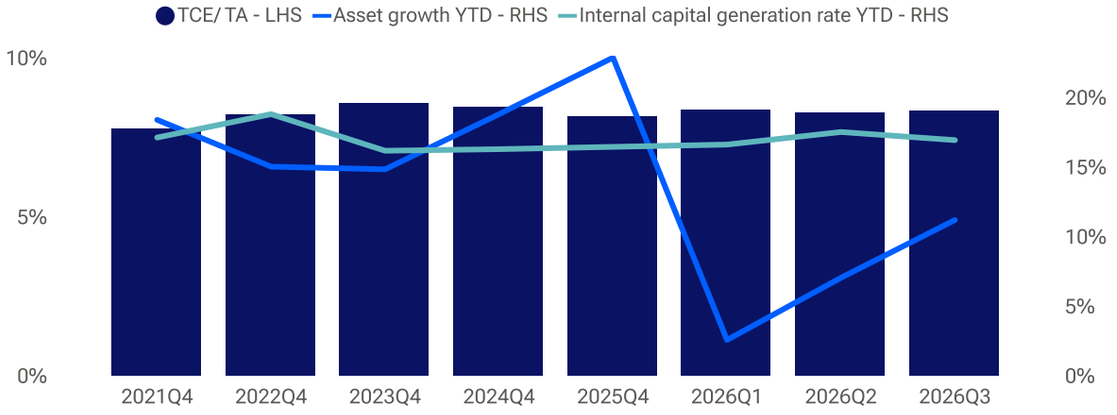
Exhibit 8: Small and mid-sized banks faced greater earnings pressure amid intense deposit competition and higher deposit costs



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

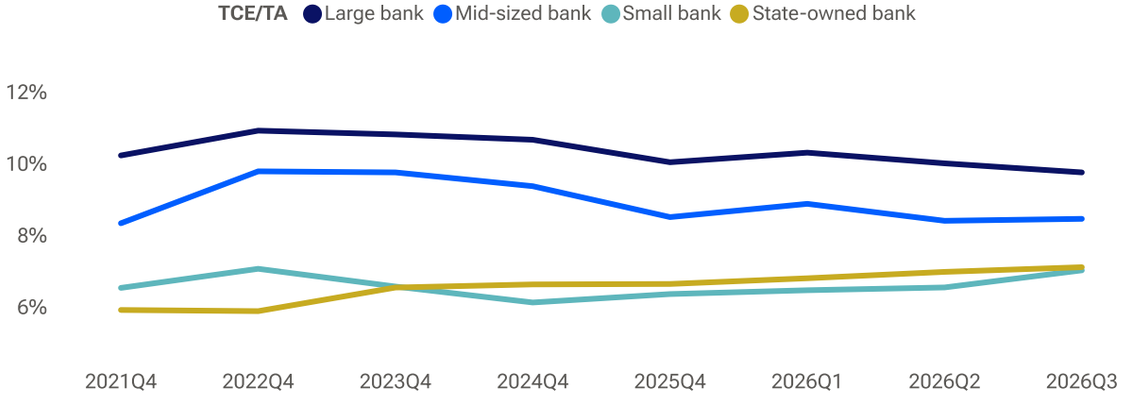
Ongoing equity-raising plans remain modest to strengthen capital buffers

Exhibit 9: Sector TCE/TA remained stable at 8.3% in 9M2026 ...



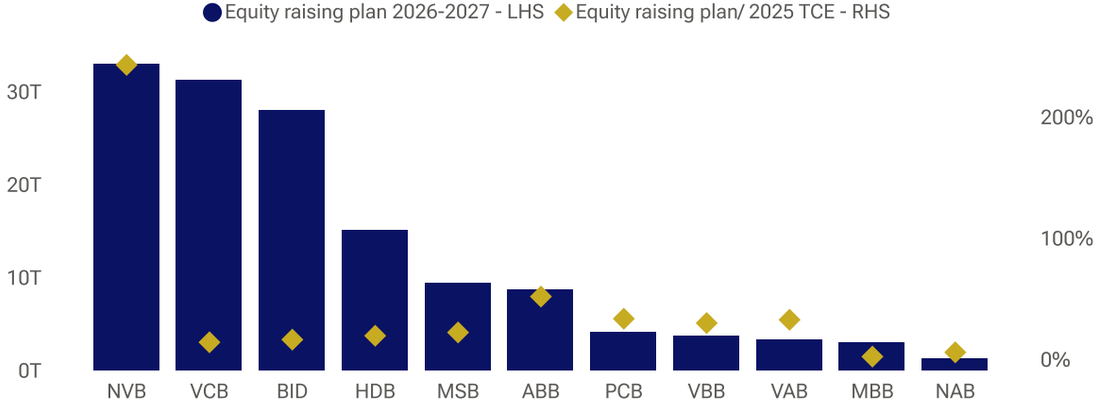
Note: Sector numbers include 28 listed banks. YTD means year-to-date
Source: Bank data, VIS Rating

Exhibit 10: ... supported by stable profits and no cash dividends in 3Q2026



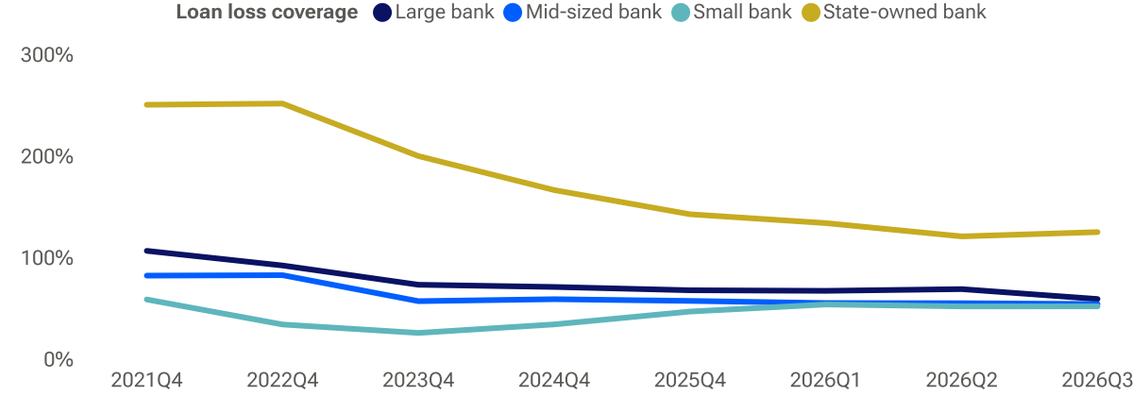
Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

Exhibit 11: Planned equity issuance remains modest and will take time to complete



Note: Refer to the Appendix for the full name of banks. Estimated equity raise for HDB, VCB, BID based on stock market price as of Sep-2026
Source: Bank data, VIS Rating

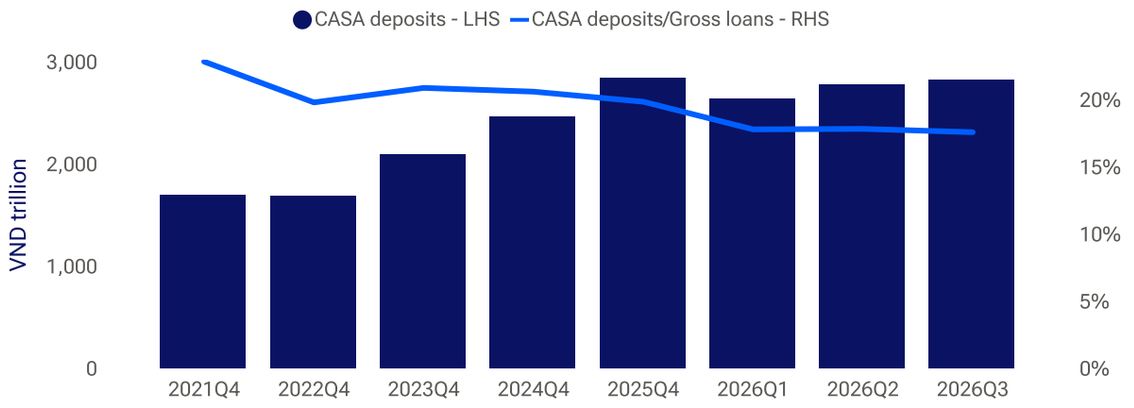
Exhibit 12: Sector loan loss coverage fell from rising problem loans, particularly at large banks



Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

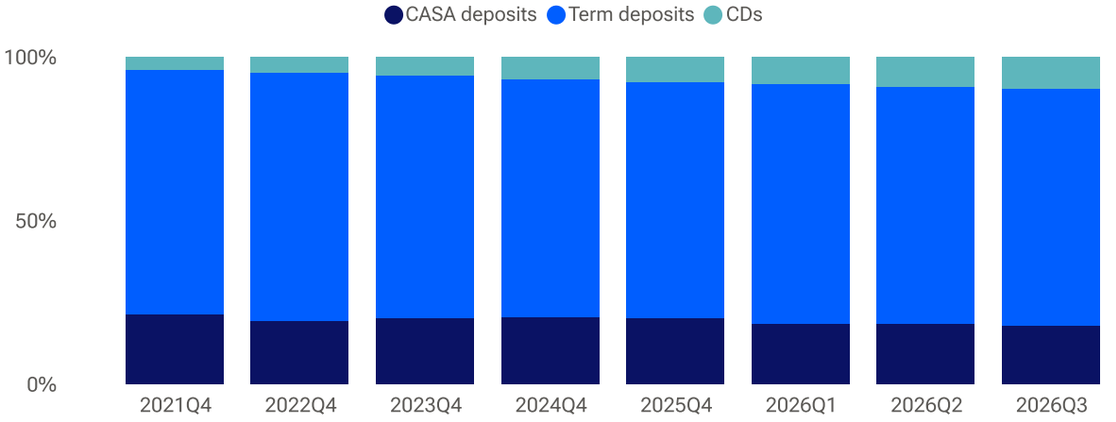
Structural funding pressures will persist despite near-term liquidity relief

Exhibit 13: Sector CASA deposits-to-Gross loans fell by 50 bps QoQ to 17.3%



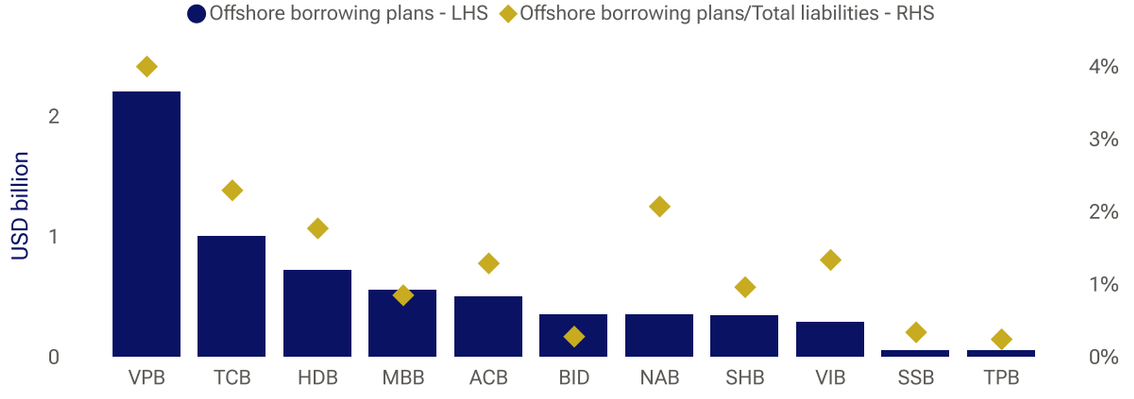
Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

Exhibit 14: ... as high interest rates boosted higher-cost term deposits and CDs



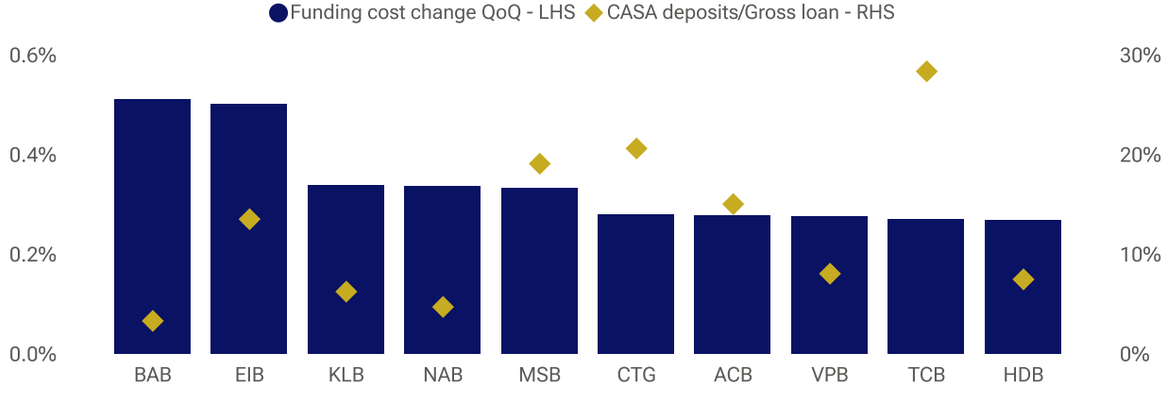
Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

Exhibit 15: Selected banks' offshore borrowing plans in 2026



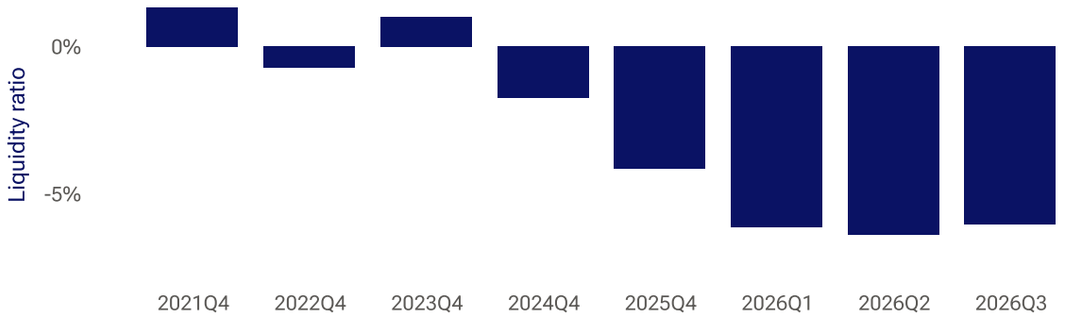
Note: Refer to the Appendix for the full name of banks.; Data covers offshore borrowing plans announced in 2026 YTD
Source: Bank data, VIS Rating

Exhibit 16: Deposit competition drove higher funding costs



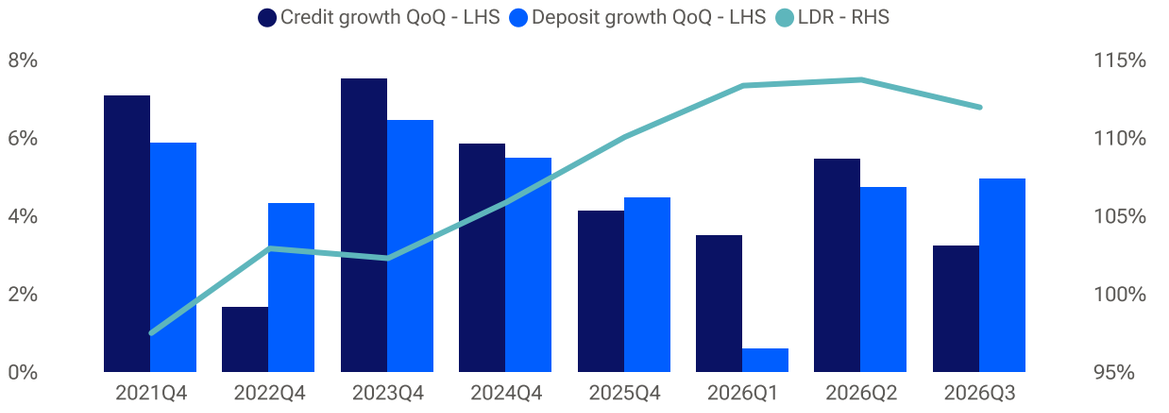
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 17: Sector liquidity ratio slightly improved in 3Q2026



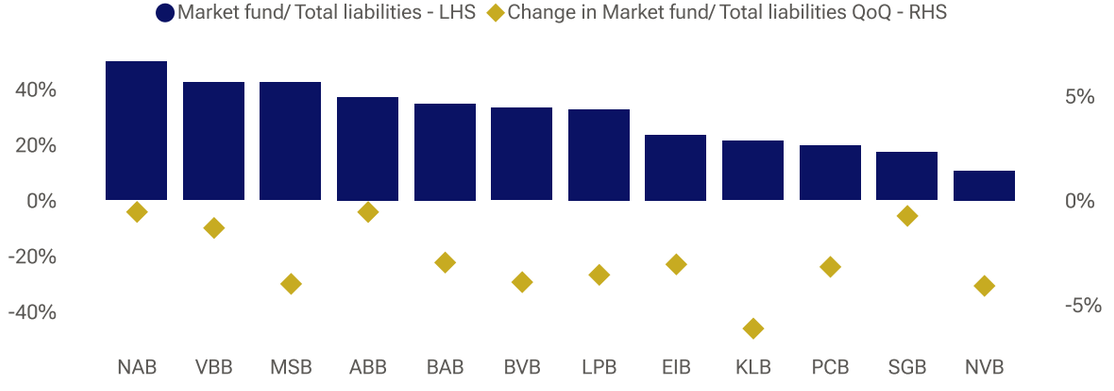
Note: Sector numbers include 28 listed banks
Liquidity ratio equals high liquid assets minus market funds over total assets;
High liquid assets include Cash, balances with SBV and other credit institutions, Government bonds.
Market funds include Deposits and borrowings from SBV and other credit institutions, valuable papers issued
Source: Bank data, VIS Rating

Exhibit 18: ... driven by slower lending as banks neared their annual credit quotas



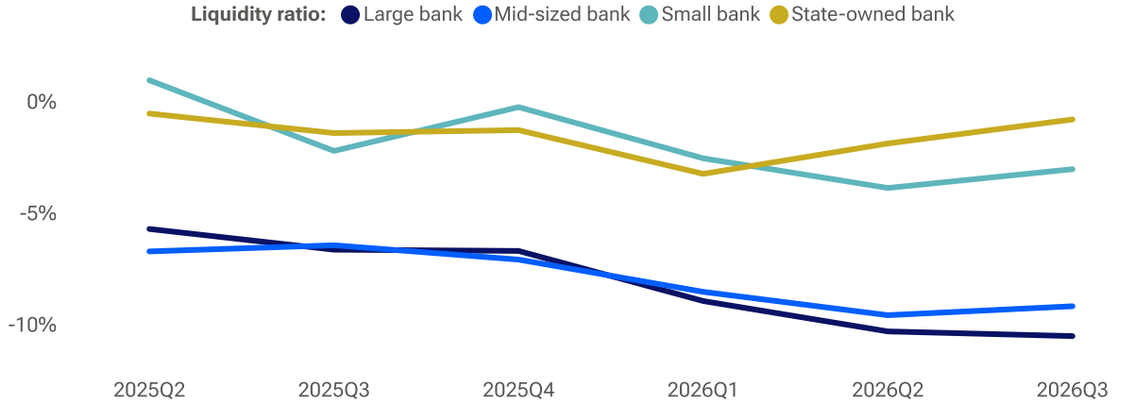
Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

Exhibit 19: Banks reduced reliance on short term interbank borrowings...



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

Exhibit 20: ...easing short term liquidity pressure



Note: Sector numbers include 28 listed banks
Source: Bank data, VIS Rating

APPENDIX 1

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
29	PCB	Vietnam Public Joint Stock Commercial Bank	Small

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