

Banking Sector

Stock listings unlock long-term capital access, subordinated bonds remain key to bridge capital gap for small banks

Over the last quarter, five small banks – VAB, VBB, KLB, BVB, and SGB – announced plans to list on Ho Chi Minh Stock Exchange (HOSE) between 2025 and 2026. This strategic move aims to enhance access to new capital, particularly from foreign investors, to strengthen loss-absorption buffers and support ambitious loan growth targets.

While the long-term benefits of listing are clear, in the near term, these banks are expected to continue relying on subordinated bond issuance to meet immediate capital requirements.

As of 2024, these banks reported an average Tier 1 capital ratio¹ of 8.7%, well below the industry average of 10.4% (Exhibit 1). Despite this, they are targeting aggressive loan growth target of 16%-20% in 2025 – outpacing the broader sector.

Relative to peers, small banks face the greatest capitals pressure in the sector due to low profitability, weak asset quality and limited equity capital raising capacity. Average return on average assets (ROAA) of 0.6% from 2020-2024, compared to the industry's 1.4% (Exhibit 2). Rising mortgage delinquencies in 2024 impacted banks like SGB, ABB, and BAB (Exhibit 3). In addition, their equity-raising capacity was constrained by weak earnings and investor appetite (Exhibit 4).

Without new capital, we project their capital adequacy ratio (CAR) to decline by over 200 basis points as they achieve their asset and profit growth targets by end-2026.

Past experience has shown that bank equity raising can take over two years to complete in Vietnam (e.g., BAB, VBB). To bridge the capital gap, small banks will continue to rely heavily on subordinated bonds (Exhibit 5).

Circular 41² allows qualifying subordinated bonds to count as Tier 2 capital, helping banks meet the 8% CAR threshold without equity dilution.

We expect banks to issue more subordinated bonds via public offerings to tap into strong retail demand. Retail investors currently hold most of bank subordinated bonds outstanding at end-December 2024 (Exhibits 6 & 7), attracted by their higher yields compared with deposits and senior unsecured bank bonds (Exhibit 8).

To date, there has been no instance of defaults among bank-issued bonds in Vietnam, including subordinated bonds.

However, investment risks remain³. Subordinated bonds exhibit a materially distinct risk profile compared to senior unsecured debt. These instruments qualify as Tier 2 capital and are intended to absorb losses during periods of financial stress. Under Circular 41, subordinated bondholders rank below all senior creditors in the creditor hierarchy during liquidation (Exhibit 9 & 10).

Another key unique feature of subordinated bonds is the optional, cumulative coupon deferral mechanism. If the issuing bank incurs a net loss in the financial year when coupon payments are due, it may defer interest payments. While deferred coupons are cumulative, the timing of payment is uncertain, introducing cash flow risk for investors. This embedded optionality, combined with legal subordination, increases the credit risk that bondholders bear.

¹ Tier 1 capital ratio was calculated by dividing tier 1 capital by total risk-weighted assets

² Refer to [Circular 41/2016/TT-NHNN: Regulation on capital adequacy ratio for banks and foreign bank branches](#)

³ Refer to [Subordinated Bonds: Anchoring Risk and Growth Through Credit Ratings \(June 2025\)](#)

CONTACTS

Nguyen Duc Huy, CFA

Associate Analyst

huy.nguyen@visrating.com

Phan Duy Hung, CFA, MBA

Director – Senior Analyst

hung.phan@visrating.com

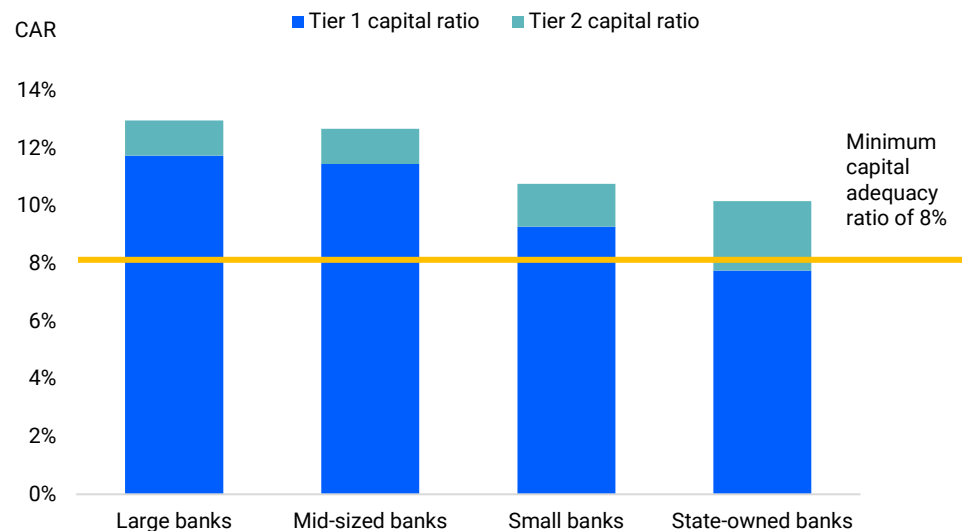
Simon Chen, CFA

Head of Ratings & Research

simon.chen@visrating.com



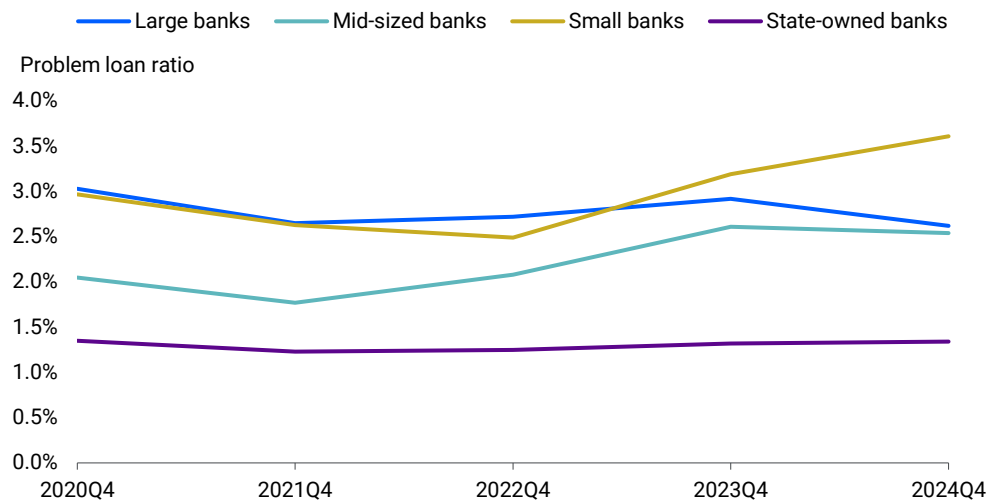
<https://visrating.com>

Exhibit 1: Small bank's weak capital level relative to peers

Note: Data was at end-2024

Refer to the Appendix for the classification of banks

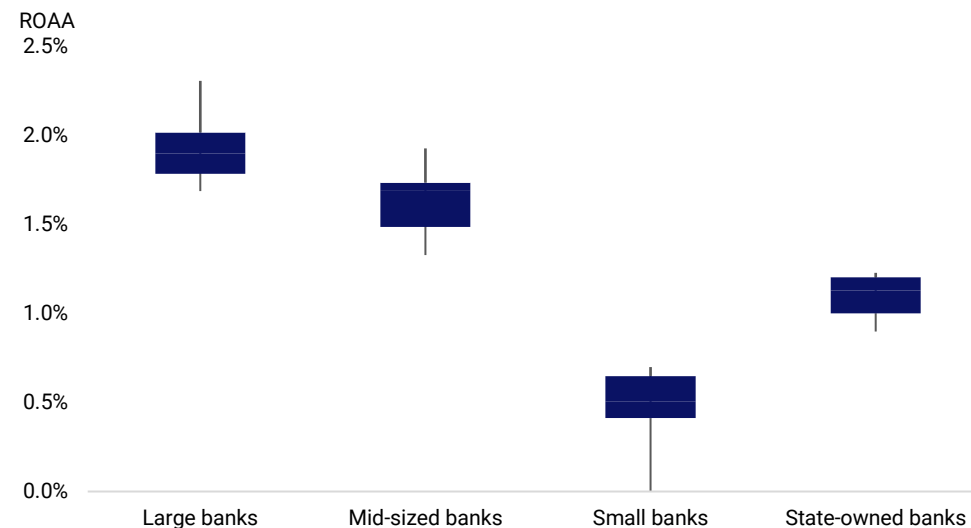
Source: Bank data, VIS Rating

Exhibit 3: ...weak asset quality from rising mortgage delinquencies and...

Note: Data for small banks excludes NVB

Refer to the Appendix for the classification of banks

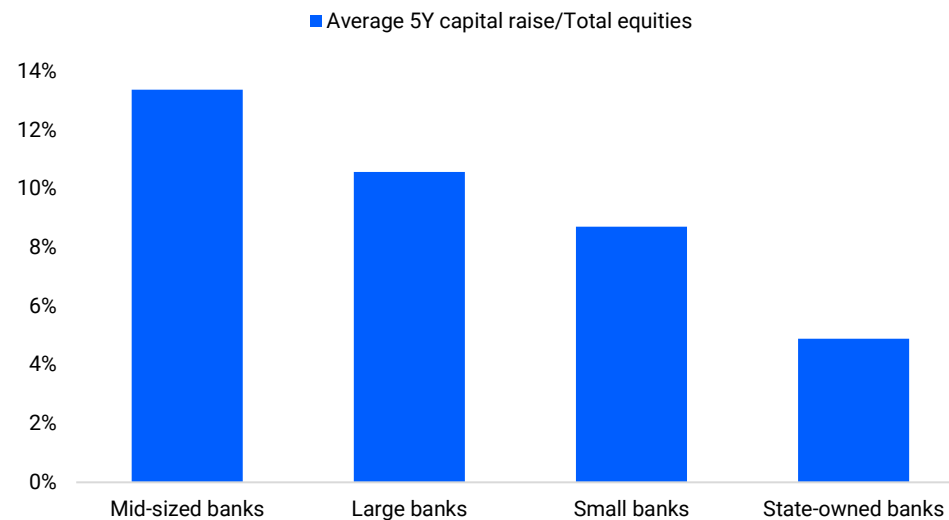
Source: Bank data, VIS Rating

Exhibit 2: Small banks face the greatest capital pressure due to low profitability...

Note: Data was at end-2024

Refer to the Appendix for the classification of banks

Source: Bank data, VIS Rating

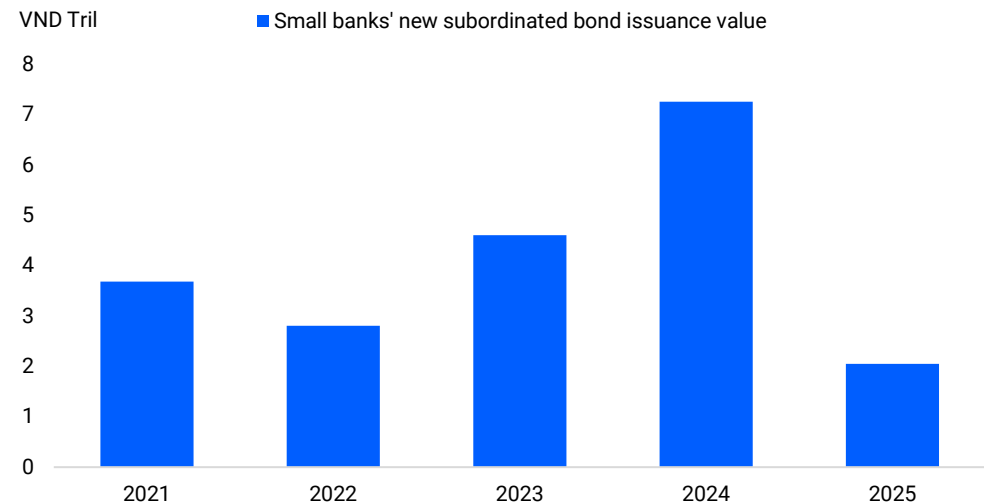
Exhibit 4: ...limited equity capital raising

Note: Capital raise during 2020-2024

Refer to the Appendix for the classification of banks

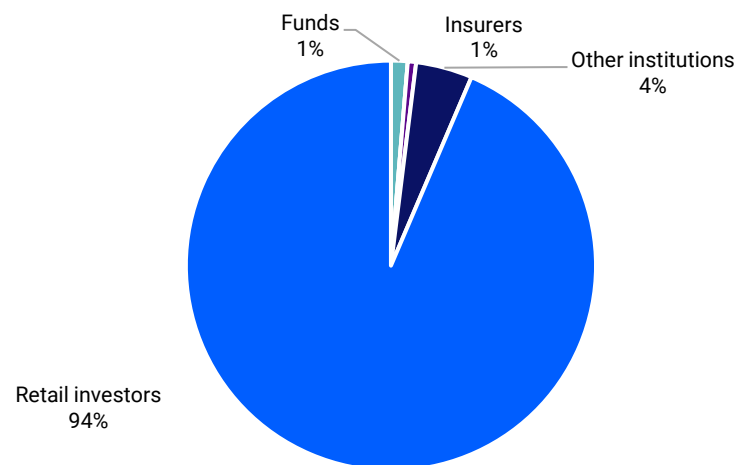
Source: Bank data, VIS Rating

Exhibit 5: Small banks will continue to rely on subordinated bond issuance to supplement capital needs



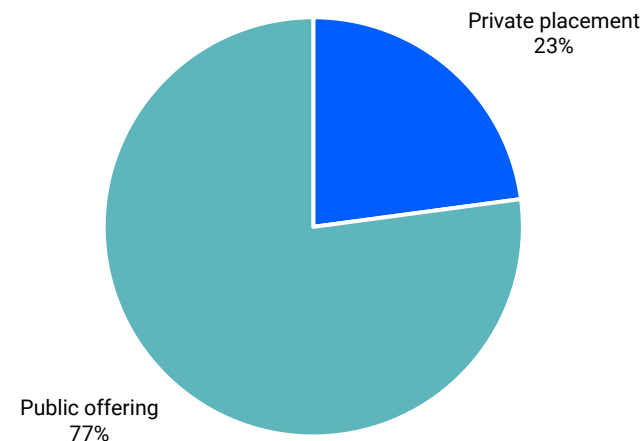
Source: HNX, VIS Rating

Exhibit 7: ...to tap the strong retail investors' demand...



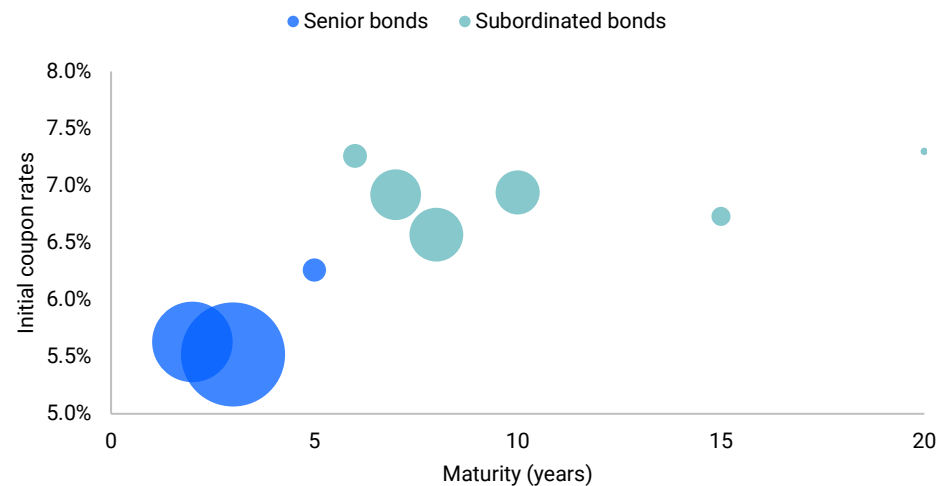
Note: Small banks' bondholder structure in public offering as of end-2024
Source: HNX, VIS Rating

Exhibit 6: Small banks increase subordinated bonds issuance via public offerings...



Note: Small banks' new bond issuance during 2023-1H2025
Source: Hanoi Stock Exchange (HNX), VIS Rating

Exhibit 8: ...as subordinated bonds offer higher yields compared with deposits and senior unsecured bank bonds

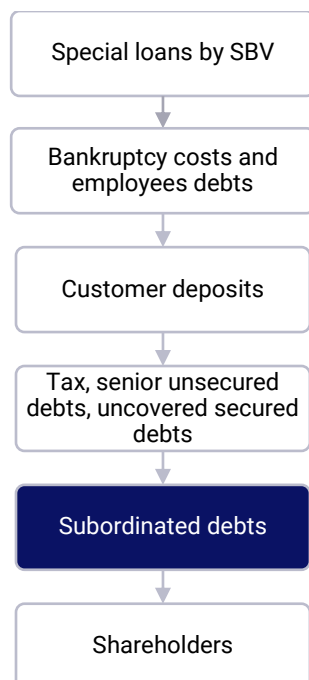


Note: Bank bond issuance data during 2023-1H2025; Bubble sizes reflect new bond issuance value
Source: HNX, VIS Rating

Exhibit 9: Examples of selected subordinated and senior bonds

Terms and Conditions	VAB	CTG	BID	ACB	HDB
Bond code	VABCLH2330001	CTGH2136002	BID121027	ACBH2123014	HDBH2429027
Type of bond	Subordinated bond	Subordinated bond	Subordinated bond	Senior bond	Senior bond
Maturity	7 years	15 years	8 years	2 years	5 years
Call option	Yes. Callable in the last 5 years	Yes. Callable in the last 5 years	Yes. Callable in the last 5 years	Negotiable	Negotiable
Step-up coupon	No	No	Yes	No	No
Coupon deferral	Yes, cumulative	Yes, cumulative	Yes, cumulative	No	No
Collateral	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured

Source: Bank data, VIS Rating

Exhibit 10: Subordinated bondholders rank below all senior creditors in the creditor hierarchy during liquidation

Source: Bankruptcy Law, Circular 41/2016/TT-NHNN, VIS Rating

This publication does not announce a credit rating action

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

© 2025 Vietnam Investors Service And Credit Rating Agency Joint Stock Company (“Công Ty Cổ Phần Xếp Hạng Tín Nhiệm Đầu Tư Việt Nam” in Vietnamese) (“VIS Rating”). All rights reserved.

Moody's holds a 49% ownership stake in VIS Rating. A Technical Services Agreement is in place between the two companies, under which Moody's provides certain services, including technical assistance, to VIS Rating. However, Moody's is not involved in any particular VIS Rating credit rating or research processes. This report and the opinions expressed herein represent the independent views of VIS Rating and should not be attributed to any Moody's entities, directors, officers, or employees.

DISCLAIMER

CREDIT RATINGS ISSUED BY VIS RATING ARE OUR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, DEBT OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS OR OF ISSUER OF SUCH DEBTS OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS IN VIETNAM AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY VIS RATING (COLLECTIVELY, “PUBLICATIONS”) MAY INCLUDE SUCH CURRENT OPINIONS. VIS RATING DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE VIS RATING'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY VIS RATING'S CREDIT RATINGS. APART FROM FUNDAMENTAL RISKS NEEDED TO BE ASSESSED AS REQUIRED UNDER THE VIETNAMESE LAW (INCLUDING DECREE 88/2014 DATED 26 SEPTEMBER 2014 OF THE GOVERNMENT) ON CREDIT RATING SERVICES FROM TIME TO TIME, CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS (“ASSESSMENTS”), AND OTHER OPINIONS INCLUDED IN VIS RATING'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE FOR REFERENCES ONLY AND DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO INVEST INTO, CONTRIBUTE CAPITAL, PURCHASE, SELL, OR HOLD PARTICULAR DEBT INSTRUMENTS OR FINANCIAL INSTRUMENTS. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VIS RATING ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY OR DEBT INSTRUMENTS THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY NON-PROFESSIONAL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR NON-PROFESSIONAL INVESTORS TO USE VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN (INCLUDING INFORMATION OF VIS RATING AND/OR THIRD PARTIES WHO LICENSE VIS RATING TO INCORPORATE THE INFORMATION HEREIN (“VIS RATING'S LICENSORS”)) IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT PRIOR WRITTEN CONSENT OF VIS RATING OR VIS RATING'S LICENSORS. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by VIS Rating from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided “AS IS” without warranty of any kind. VIS Rating adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources VIS Rating considers to be reliable including, when appropriate, independent third-party sources. However, VIS Rating is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by VIS Rating.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY VIS RATING IN ANY FORM OR MANNER WHATSOEVER.

VIS RATING MAY MAKE MODIFICATIONS AND/OR CHANGES TO ITS PUBLICATION AT ANY TIME, FOR ANY REASON. HOWEVER, VIS RATING UNDERTAKES NO OBLIGATION (NOR DOES IT INTEND) TO PUBLICLY SUPPLEMENT, UPDATE OR REVISE ITS PUBLICATION ON A GOING-FORWARD BASIS. YOU ASSUME THE SOLE RISK OF MAKING USE OF AND/OR RELYING ON VIS RATING'S ASSESSMENTS, OTHER OPINIONS AND PUBLICATION.

VIS Rating maintains policies and procedures to address the independence of VIS Rating's credit ratings and credit rating processes. Information regarding, among others, entities holding more than 5% of the contributed charter capital of VIS Rating, any change to the shareholding ratios of entities holding more than 5% of the contributed charter capital of VIS Rating and a list of rated entities with a credit rating service charge accounting for over 5% of VIS Rating's total revenue from credit rating activities in the fiscal year prior to the time of information disclosure, are posted at <https://visrating.com/> under the heading “Corporate Disclosure”.



Empowering Better Decisions