

Banking Sector: 6M2025 Update

Sector Recovery Leaves Small Banks Behind as Liquidity Pressures Intensify

In 6M2025, credit fundamentals strengthened for large and state-owned banks (SOBs), supported by falling non-performing loans (NPLs) amid a recovering property market. Lower credit costs and improved bad debt recovery boosted their return on average assets (ROAA) and enhanced loss-absorbing capacity. In contrast, smaller banks lagged behind, weighed down by elevated credit provisions and rising deposit costs amid intensifying competition. These banks also remained vulnerable to liquidity pressures given limited liquid assets and higher reliance on short-term market funds. Looking ahead, we expect a gradual recovery in asset quality and profitability in 2H2025, underpinned by continued real estate stabilization and targeted policy support—benefiting SOBs and large banks most.

● Improved
 ● Stable
 ● Deteriorated

Factors Trend

Key highlights



Asset
Quality



Asset risks will stabilize in 2H2025, especially for large banks and SOBs amid a recovering real estate market

- Sector NPL ratio improved by 20 bps from QoQ to 2.3% in 6M2025.
- Corporate debt servicing improved at ACB and CTG, while VPB, MBB saw lower mortgage delinquency following project legal resolutions on distressed developers.
- Small banks showed mixed performance: ABB reduced bad debts through increased write-offs, while NPL formation for PGB, VAB, BVB, SGB remained among the highest in the sector.
- Sector's NPL formation rate will decline in 2H2025 given ongoing real estate market recovery and regulatory reforms to support borrowers' debt serviceability, with large banks and SOBs leading the improvement.



Profitability



Sector profitability will improve amid stable NIM, stronger loan growth and lower credit costs

- Sector ROAA held steady at 1.5% in 6M2025, driven by robust credit growth, lower credit costs, and higher bad debt recoveries. 16 out of 27 banks improved NIM from prior quarter due to strong growth in higher-yield real estate and construction loans (e.g., SHB, HDB, TCB).
- Large banks, including SOBs, improved ROAA by 18 bps from prior year, given lower credit costs and higher bad debt recovery (e.g., VPB, CTG), higher lending yields (e.g., SHB).
- Profit trends for small banks were mixed: While ABB, NVB, KLB improved bad debt recovery and loan growth, profits for other small banks (e.g., BVB, BAB) were hit by elevated credit costs.
- Large banks and several SOBs will lead sector profit recovery in 2H2025 amid easing NIM pressures, stronger long-term loans growth and lower credit costs.



Capital



Mid-sized banks saw capital erosion due to sizable cash dividend payouts

- Sector loan loss coverage ratio was flat at 80% in 6M2025. Large banks (e.g., MBB, VPB) saw the most improvement given lower asset risk.
- Meanwhile, mid-sized banks' capital level deteriorated from cash dividend payouts (e.g., TPB, LPB, VIB).
- We expect the sector's capital level to remain stable over the next 12-18 months.



Funding &
Liquid
Resources



Higher deposit competition will weigh on small banks' deposit costs

- Sector CASA deposits over gross loans rose by 70 bps QoQ to 19.8% in 6M2025, particularly for SOBs.
- Sector loan-to-deposit ratio (LDR) climbed to 109% in 6M2025 as credit growth outpaced deposit growth - particularly at large banks (e.g., ACB, VPB, HDB, MBB). However, liquidity risk remains well-managed for these banks as higher long-term bond issuance or offshore borrowings support strong loan growth.
- As loan growth increases, we expect deposit competition to intensify, and small banks with limited liquid assets and reliance on short-term funding remain vulnerable to rising funding costs and liquidity pressures.

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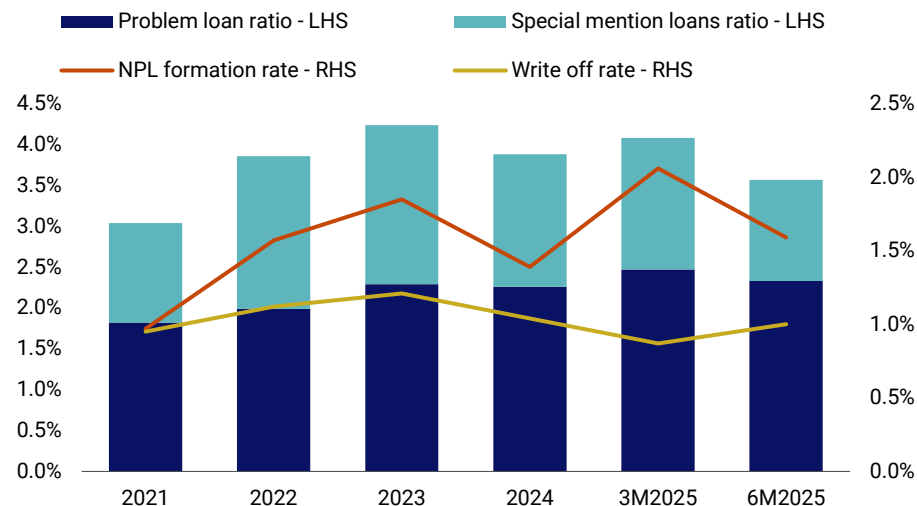
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Asset risks will stabilize in 2H2025, especially for large banks and SOBs amid a recovering real estate market

Exhibit 1: Sector NPL ratio improved QoQ in 6M2025...

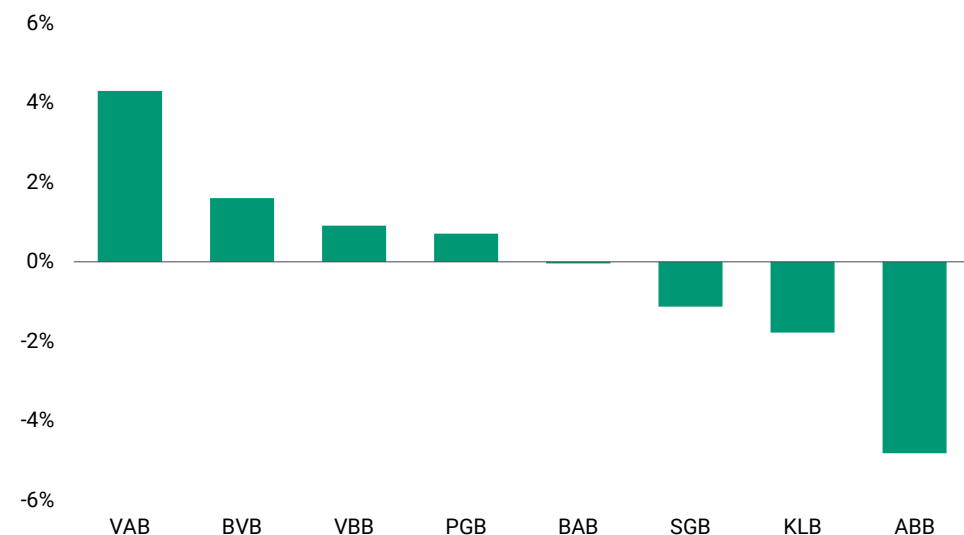


Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

Exhibit 3: Small banks' NPL trends were mixed

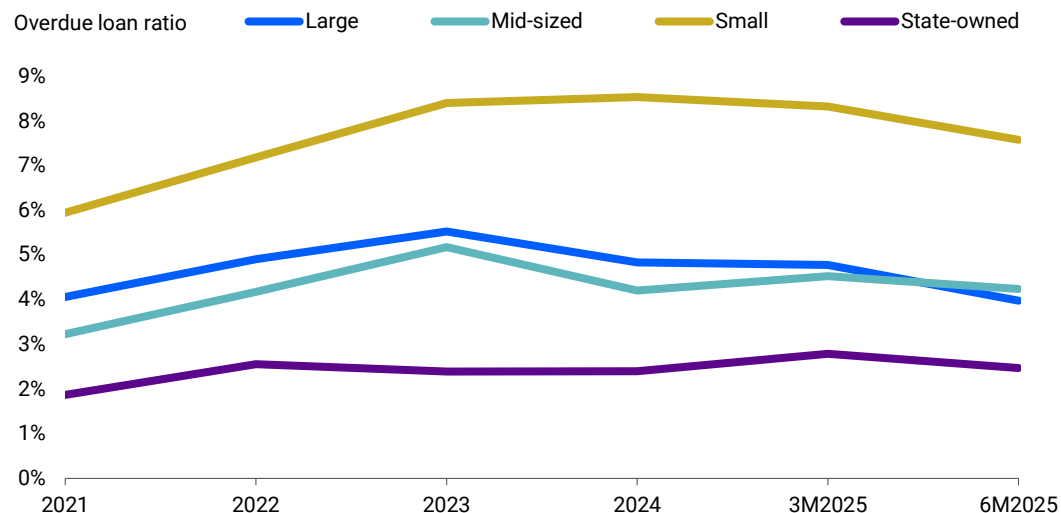
NPL formation rate change QoQ



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

Source: Bank data, VIS Rating

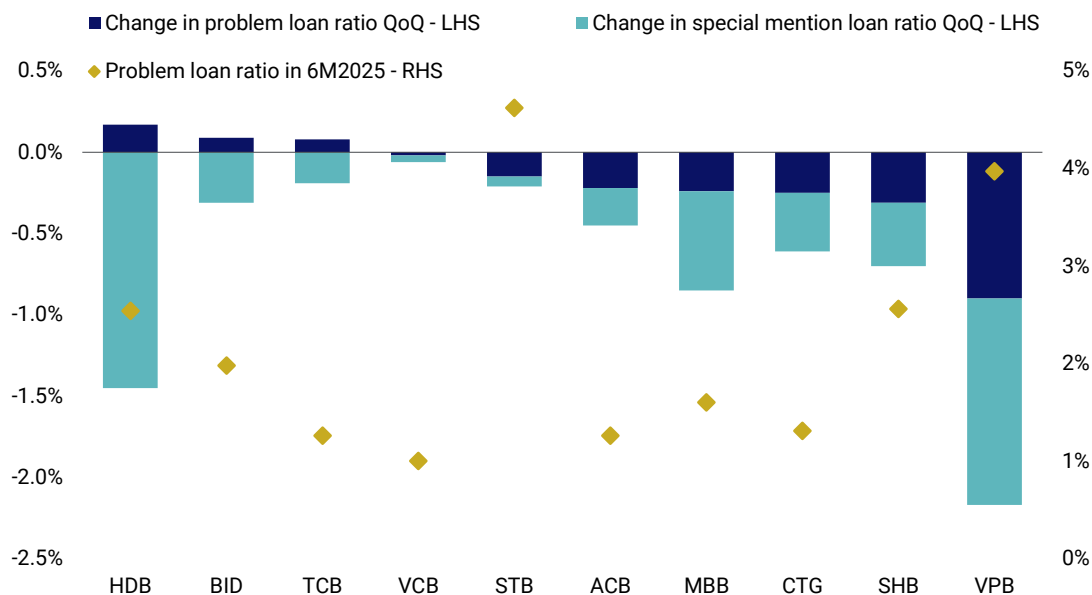
Exhibit 2: ...especially for large banks and SOBs



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

Source: Bank data, VIS Rating

Exhibit 4: Several large banks and SOBs improved their asset risk profiles in 6M2025

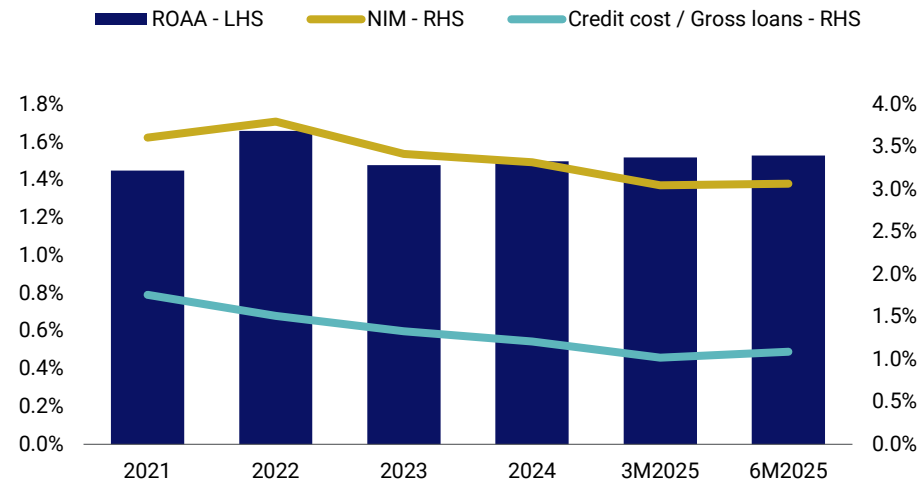


Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

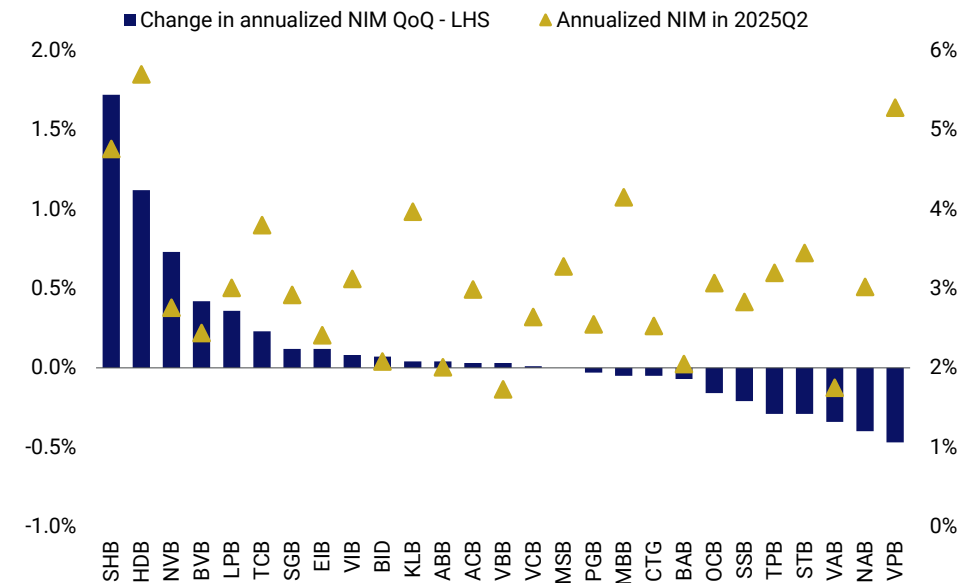
Sector profitability will improve amid stable NIM, stronger loan growth and lower credit costs

Exhibit 5: Sector ROAA was flat in 6M2025...



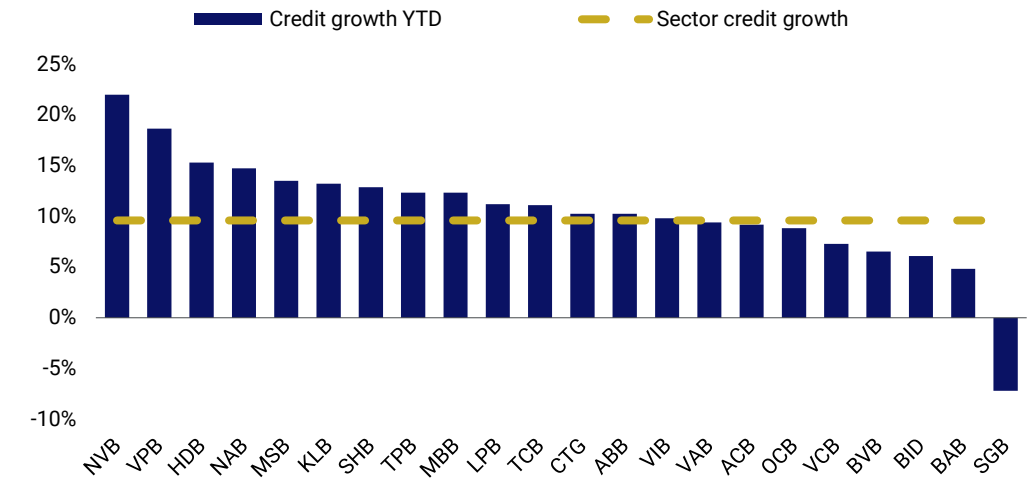
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 7: 16 out of 27 banks improved NIM from strong growth to higher-yield real estate and construction loans



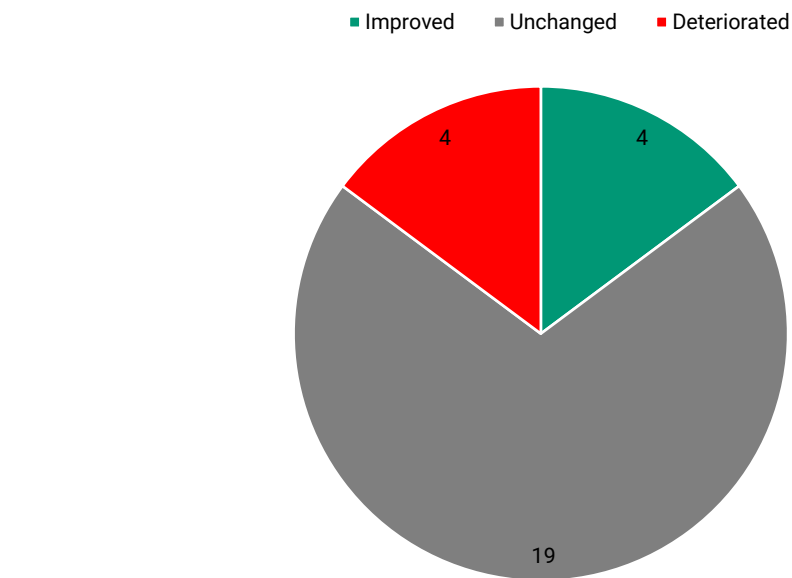
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 6: ... with robust credit growth

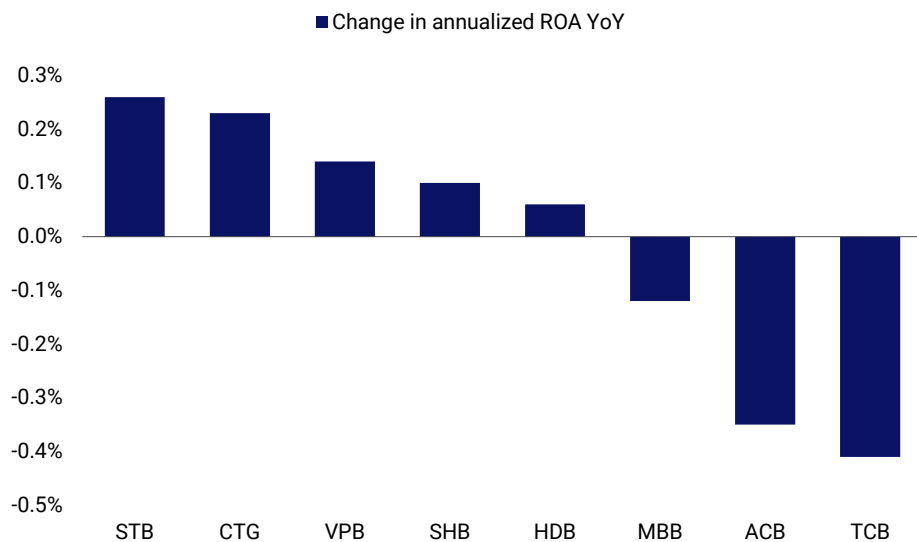


Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 8: Profit trends for small banks were mixed

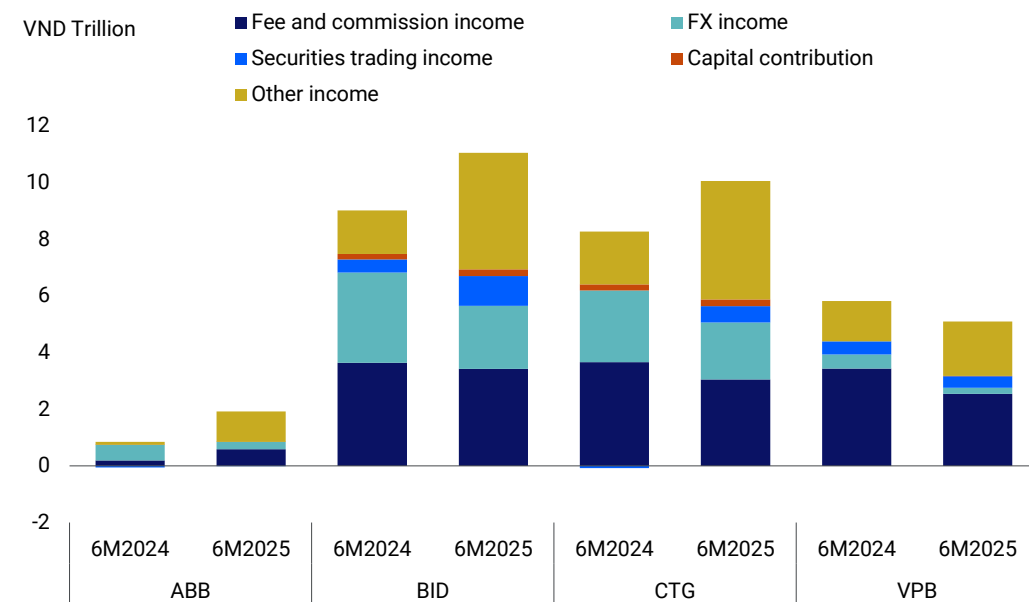


Source: VIS Rating

Exhibit 9: Large banks, including SOBs, improved their ROAA from prior year ...

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

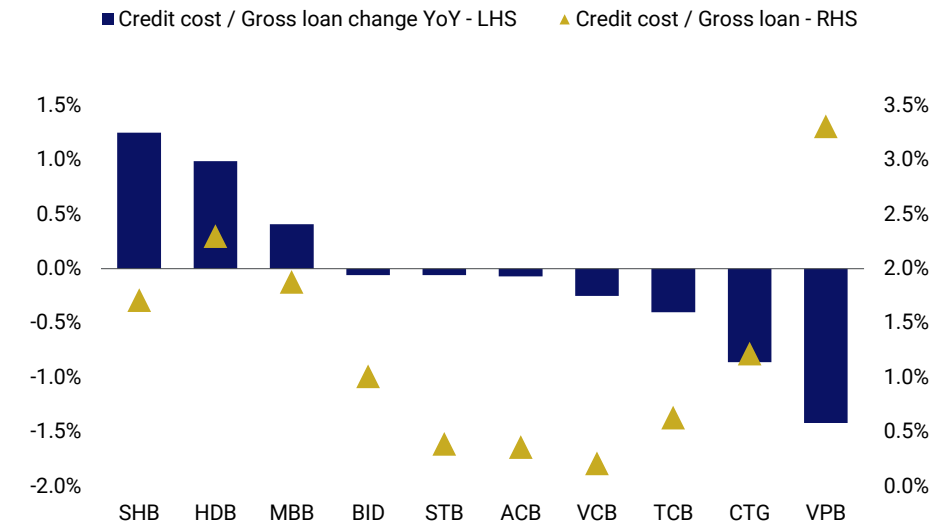
Source: Bank data, VIS Rating

Exhibit 11: ... and higher bad debt recovery

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

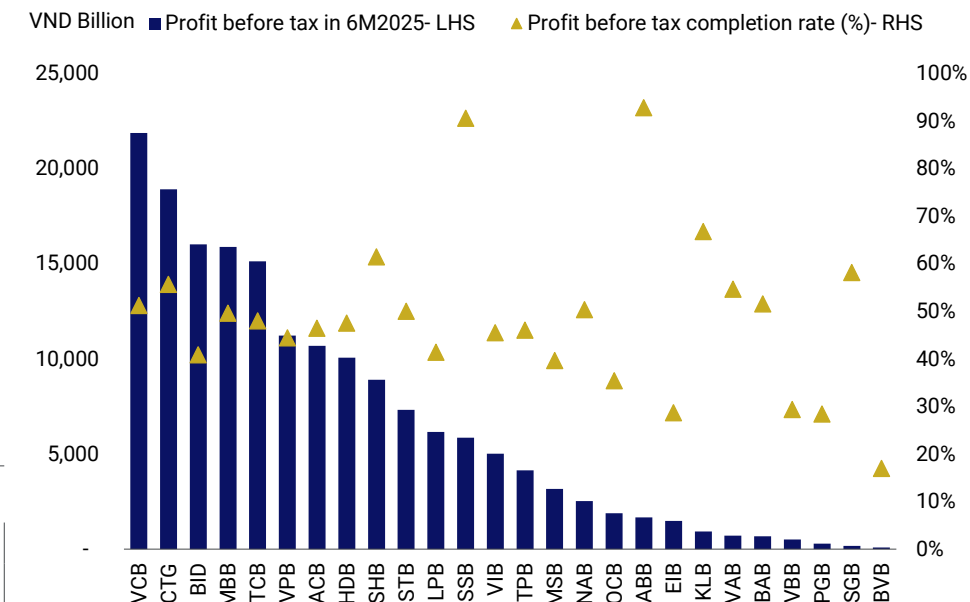
Source: Bank data, VIS Rating

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Exhibit 10: ... given lower credit costs

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

Source: Bank data, VIS Rating

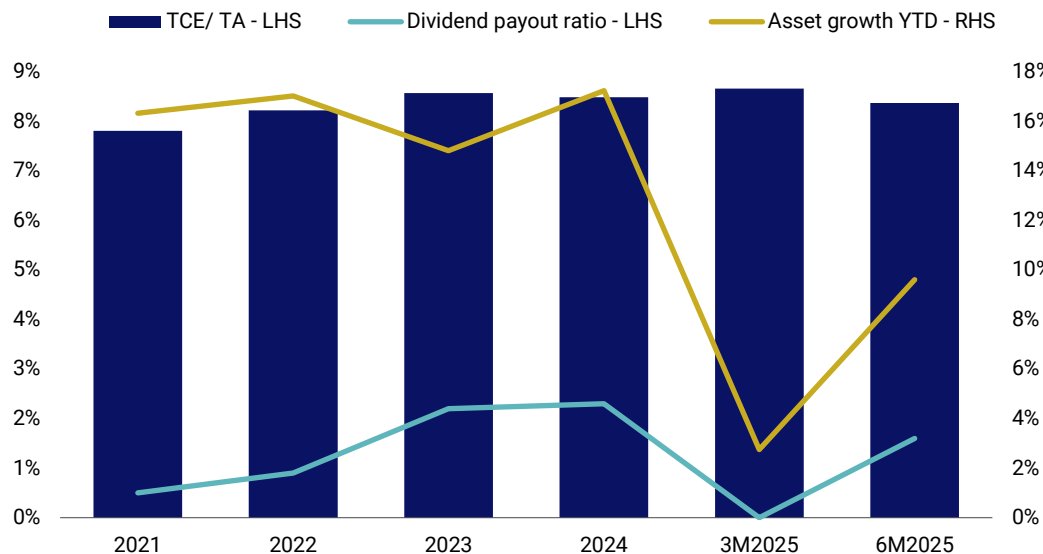
Exhibit 12: Most banks are on track to achieve their target

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

Source: Bank data, VIS Rating

Mid-sized banks saw capital erosion due to sizable cash dividend payouts

Exhibit 13: Sector capital remained stable in 6M2025

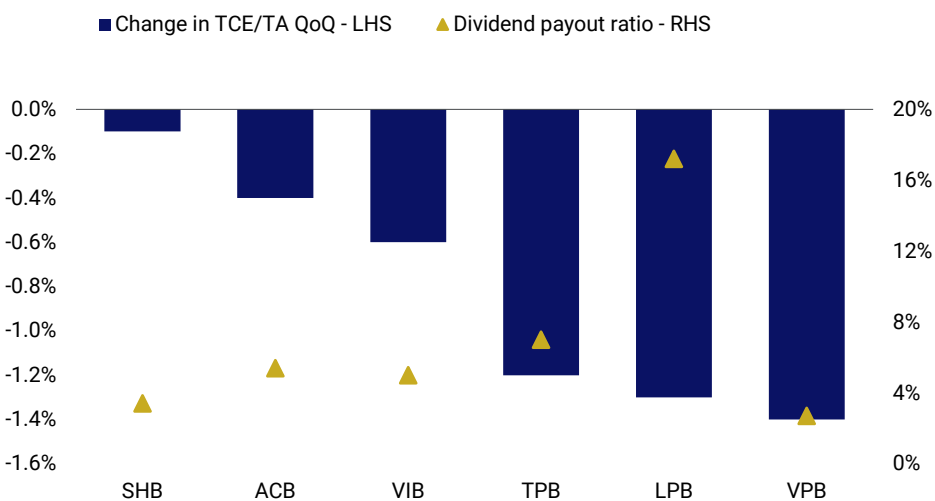


Note: Sector numbers include 27 listed banks

TCE: Tangible common equity; TA: Tangible assets

Source: Bank data, VIS Rating

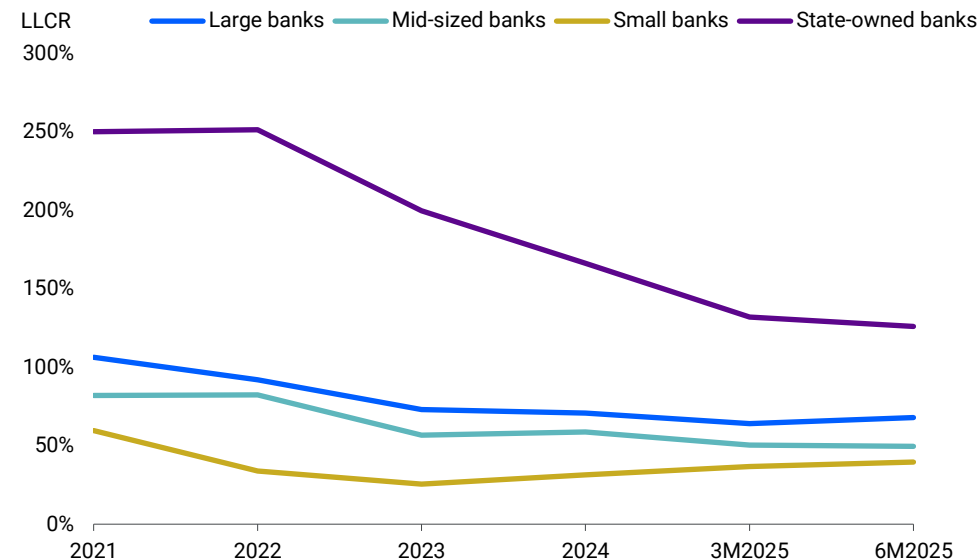
Exhibit 15: Mid-size banks' capital level deteriorated from cash dividend payouts in 6M2025



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

Source: Bank data, VIS Rating

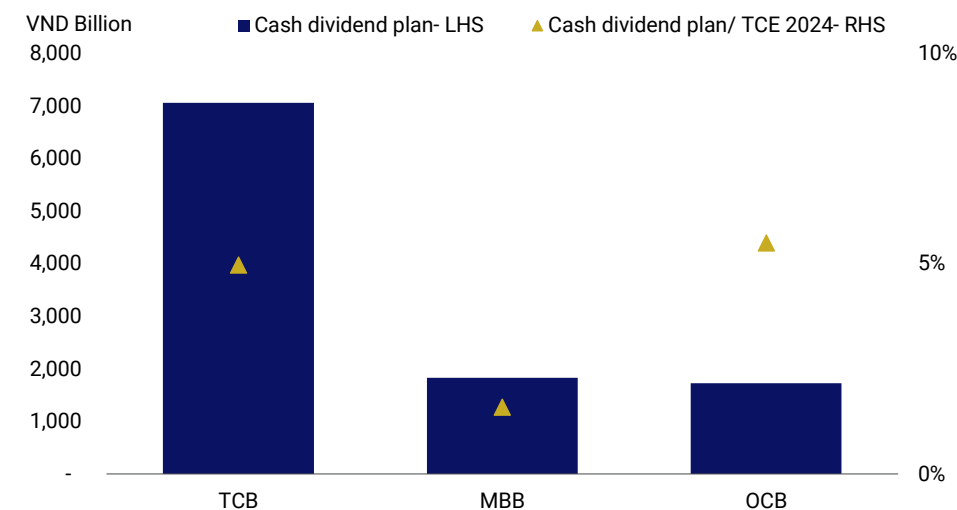
Exhibit 14: Large banks saw the most improvement LLCR given lower asset risk



Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

Exhibit 16: Several large and mid-sized banks will pay cash dividends in 2H2025

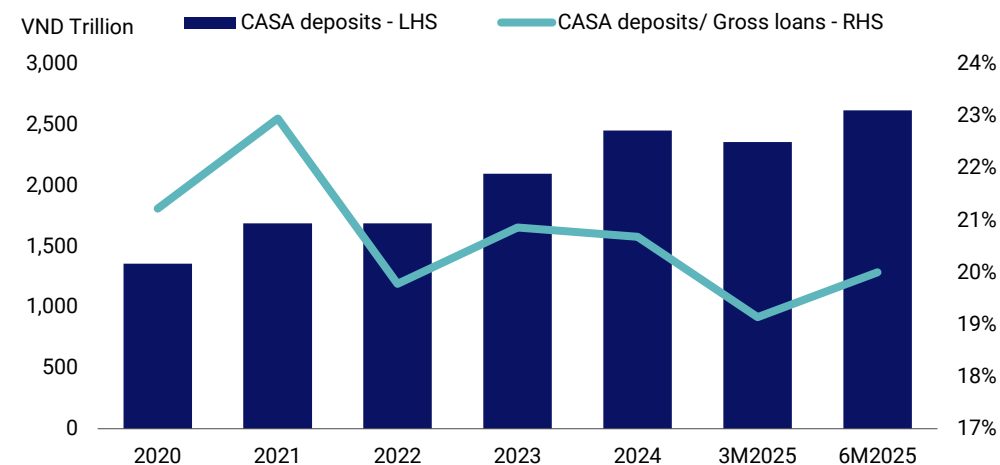


Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

Higher deposit competition will weigh on small banks’ deposit costs

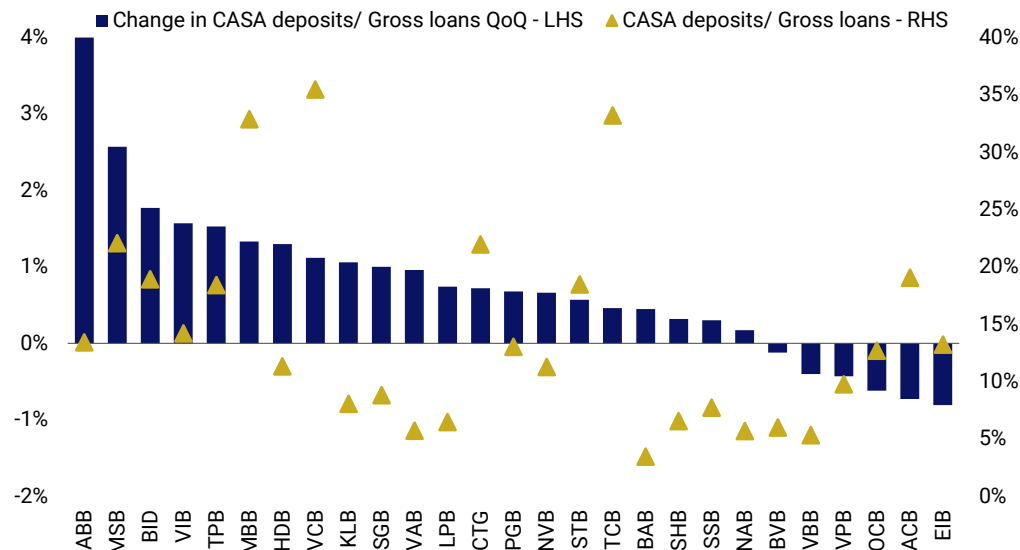
Exhibit 17: Sector CASA deposits over gross loans rose in 6M2025...



Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

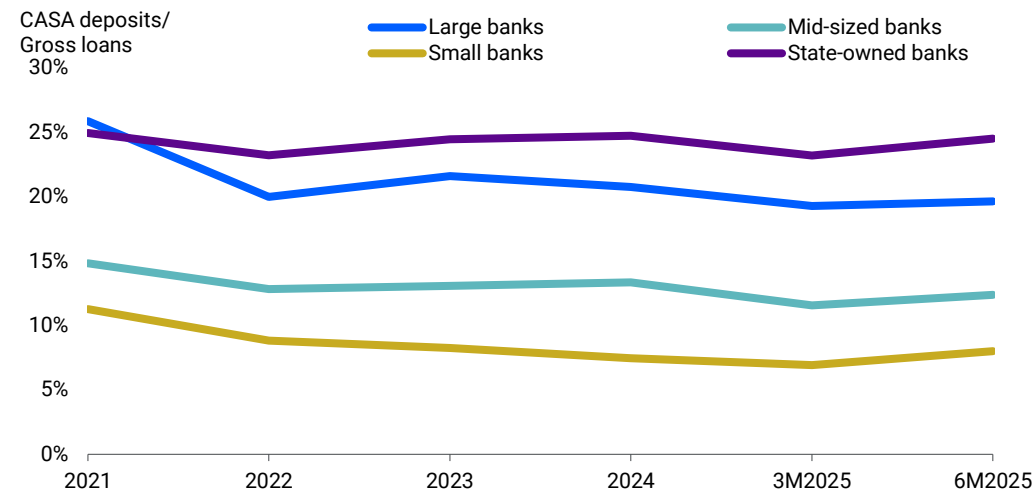
Exhibit 19: Most banks improved CASA deposits from both retail and corporate segments



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

Source: Bank data, VIS Rating

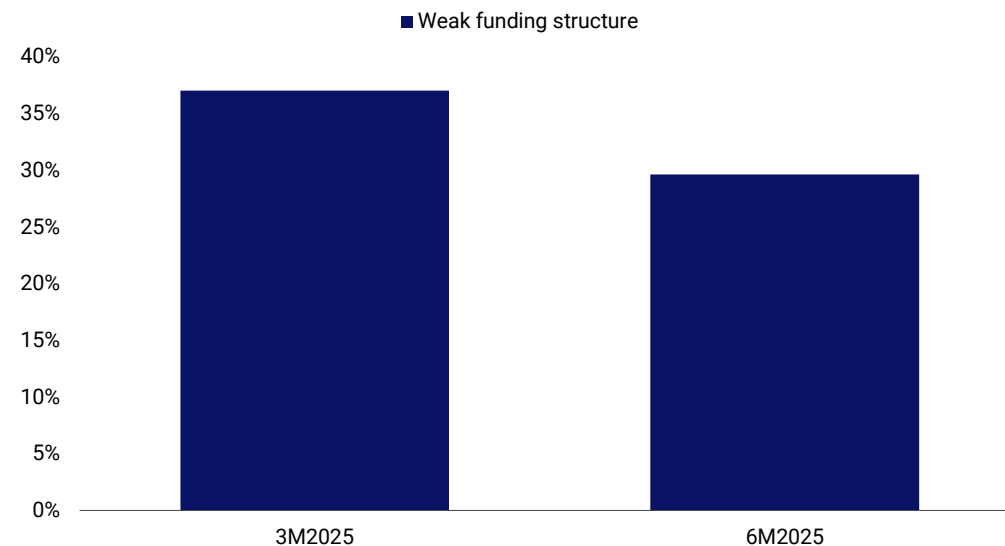
Exhibit 18: ... particularly for SOBs



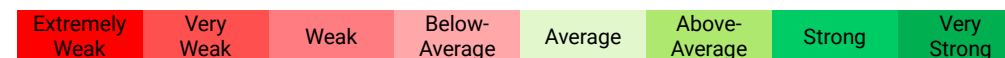
Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

Exhibit 20: ...and enhanced their funding structure profiles in 6M2025

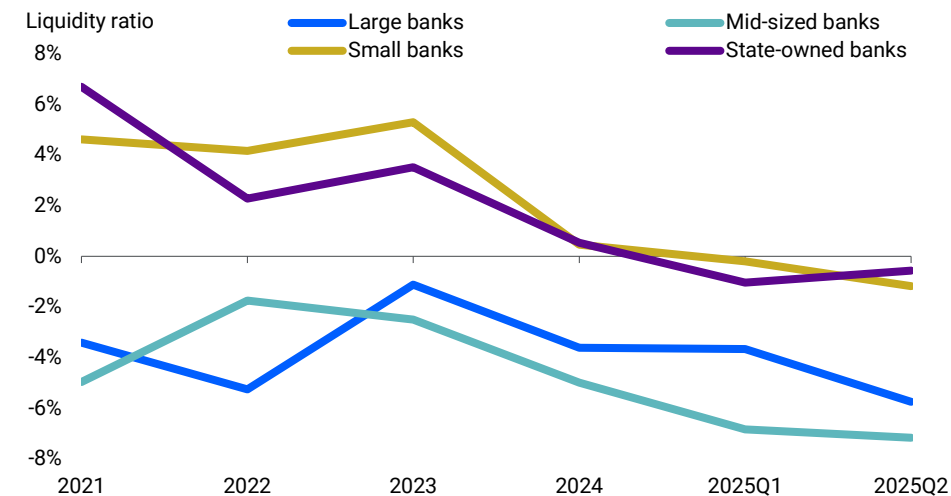


Note: Weak funding structures are denoted by Below-Average, Weak, Very Weak and Extremely Weak categories based on our eight-category assessment scale, as illustrated below



Source: VIS Rating

Exhibit 21: Sector liquidity ratio continued to decline

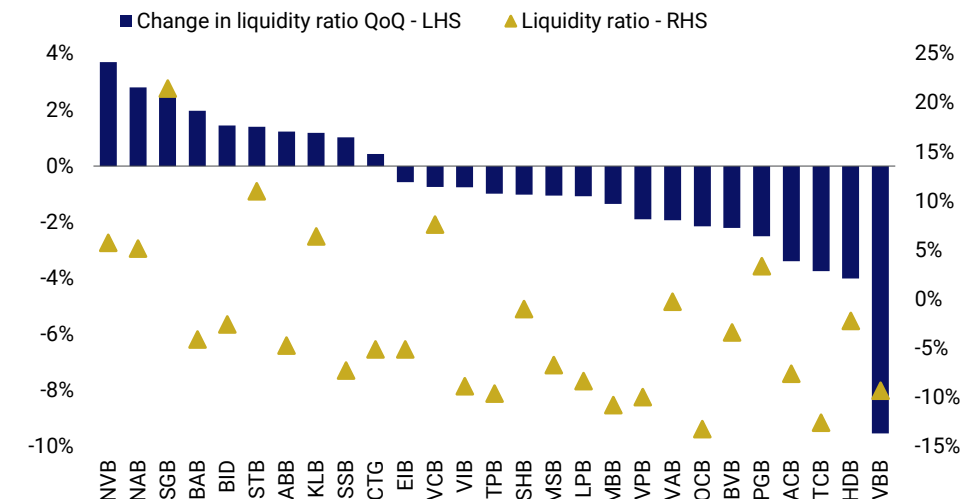


Note: Sector numbers include 27 listed banks

Liquidity ratio is measured by the net of liquid assets and market funds divided by total assets

Source: Bank data, VIS Rating

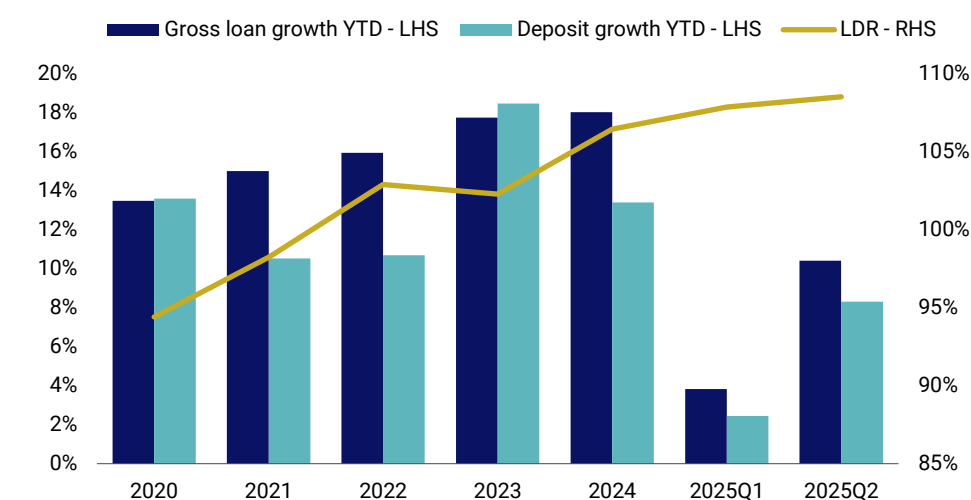
Exhibit 23: Large banks increased long-term bond issuance or offshore borrowings to supplement strong loan growth



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

Source: Bank data, VIS Rating

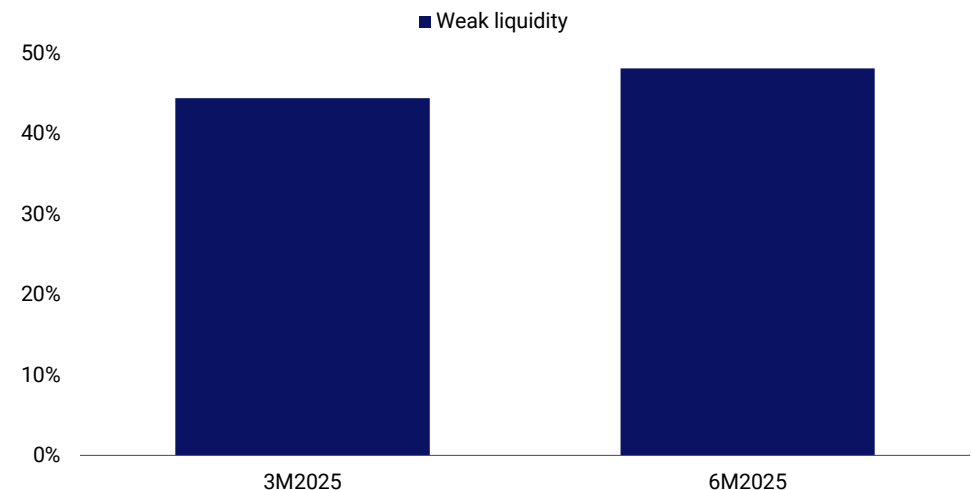
Exhibit 22: Credit growth outpaced deposit growth, particularly at large banks



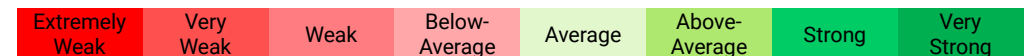
Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

Exhibit 24: Some small banks faced higher liquidity pressure from deposit outflow



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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