

Banking Sector: FY2024 Update

Large banks ended 2024 with stronger profits and asset quality, while small banks hit by higher funding and credit costs

Banks are ending 2024 on a high note, particularly for State-owned banks (SOBs) and large banks. The increasing pace of high-yield mortgages and slower non-performing loans (NPLs) formation in 4Q2024 drove their profits and asset quality improvement. In contrast, credit fundamentals for several small banks remained weak, given higher bad debts and credit costs from their retail and SME borrowers, as well as margin squeeze and liquidity issues amid intensified deposit competition. In 2025, we expect robust business conditions to drive stronger asset quality and profits for banks, especially SOBs and several large banks.

Sector asset risk stabilized in 2024, as NPL formation rates declined for several SOBs and large banks. The sector problem loan ratio decreased slightly by 5 bps year-on-year (yoy) to 2.25% in 2024. Several large banks actively tightened credit underwriting for new consumer loans (e.g., VPB) and experienced lower mortgage delinquencies in 2H2024 (e.g., TCB). Among SOBs, CTG's NPL formation declined significantly during 2H2024, while BID and VCB reduced NPLs through sizable write-offs. In contrast, asset quality deteriorated for small banks focusing on retail and SMEs borrowers (e.g., SGB, ABB, BAB), mostly due to mortgage delinquencies. As of 2024, 22% of banks under our analysis have weak asset risk profiles, unchanged compared to 2023. In 2025, we expect stronger operating conditions will drive the continued decline in sector NPL formation rates.

Sector profitability remained broadly stable, and small banks were hit significantly by higher funding and credit costs. Return on average assets (ROAA) for small banks fell significantly by 0.3% points yoy to 0%. Among small banks, NVB recorded the largest net loss due to elevated credit costs following significant write-offs under their restructuring plan. Other small banks (e.g., SGB, PGB) also decreased ROAA from rising deposit costs amid keen deposit competition. As of end-2024, around 30% of banks have low profitability, mainly small banks. Profit trends for large banks were mixed. Some banks boosted ROAA by higher credit growth to high-yield real estate and consumer loans (e.g., VPB), lower credit costs or higher debt recovery income (e.g., STB, CTG, VPB). Meanwhile, several banks' ROAA lowered in 4Q2024 from bancassurance termination expense (e.g., TCB), lower NIM and investment income (e.g., ACB). Sector credit growth reached 15% in 2024, up from 14.5% in 2023, driven by strong corporate loans and increasing pace of retail mortgages in 4Q2024. We expect sector ROAA will improve marginally in 2025 from higher NIMs amid higher credit growth for longer-term corporate and mortgage loans and lower credit costs.

Sector capital level remained modest given stable profits and limited new capital raise. Sector tangible common equity/tangible assets (TCE/TA) were flat at 8.5% as of 2024. Only NVB raised significant capital in 4Q2024, as part of their restructuring plan. 20% of banks in our analysis have weak capital profiles due to low profits and/or limited capital-raising ability. Sector loan loss coverage (LLCRs) showed significant improvement to 91% in 4Q2024, up from 83% in 3Q2024, led by lower NPL formation (e.g., TCB, CTG, MBB) and higher write-offs (e.g., VCB, BID). Most small banks still have LLCR below the industry average due to slow profit growth and higher NPL formation. We expect the capital level to be stable in 2025 as profits and capital generation improve alongside asset growth.

Liquidity risks remained high for several small banks given higher use of short-term market funds to supplement loan growth. Sector CASA deposits/gross loans remained flat at 21% from the prior year, with large banks (e.g., TCB, VCB, CTG) improving the most, backed by their strong physical network and digital capabilities. Large banks (e.g., BID, VCB, HDB, TCB) also diversified their funding sources and committed to sustainable lending in their strategic plans by issuing green and sustainable bond framework and/or bonds. Small banks (e.g., ABB, VAB, SGB) are more vulnerable to liquidity risks than a year ago, given the increasing use of short-term interbank borrowings amid sluggish deposit growth.

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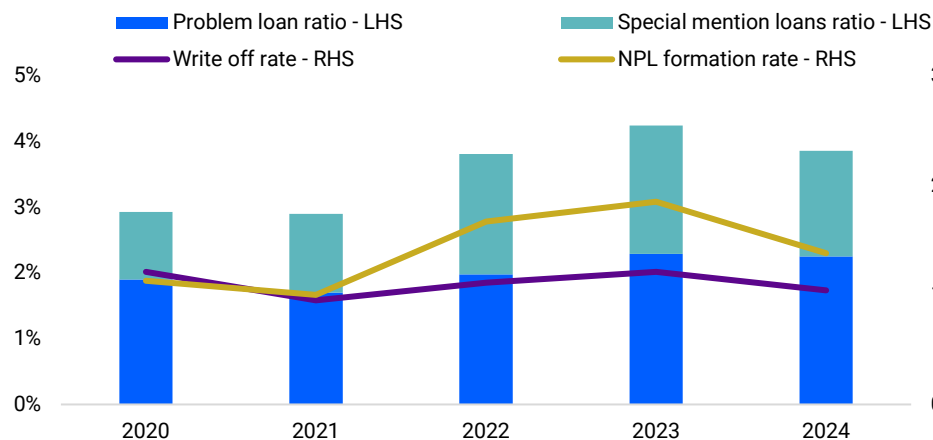
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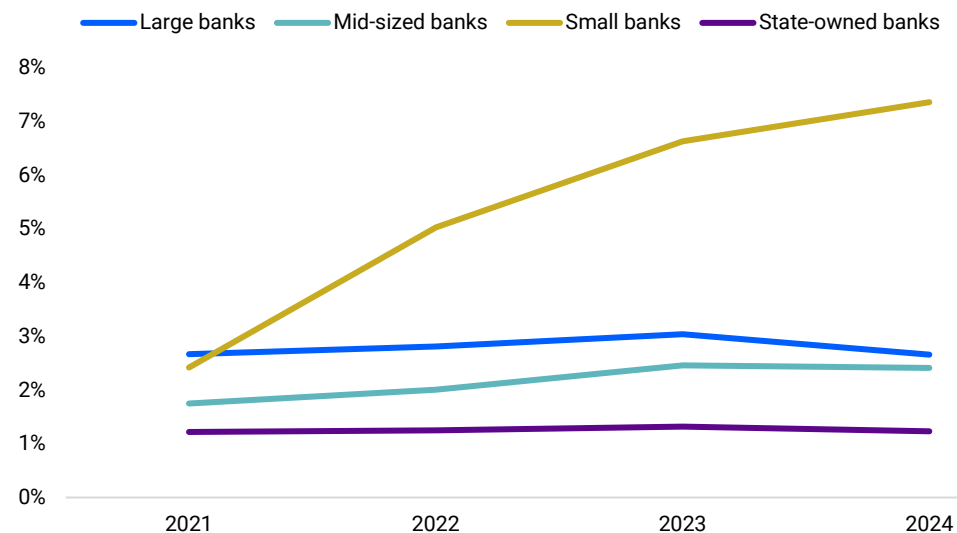
Sector asset risk stabilized in 2024, driven by slower NPL formation rate from several SOBs and large banks

Exhibit 1: Problem loan ratio stabilized in 2024



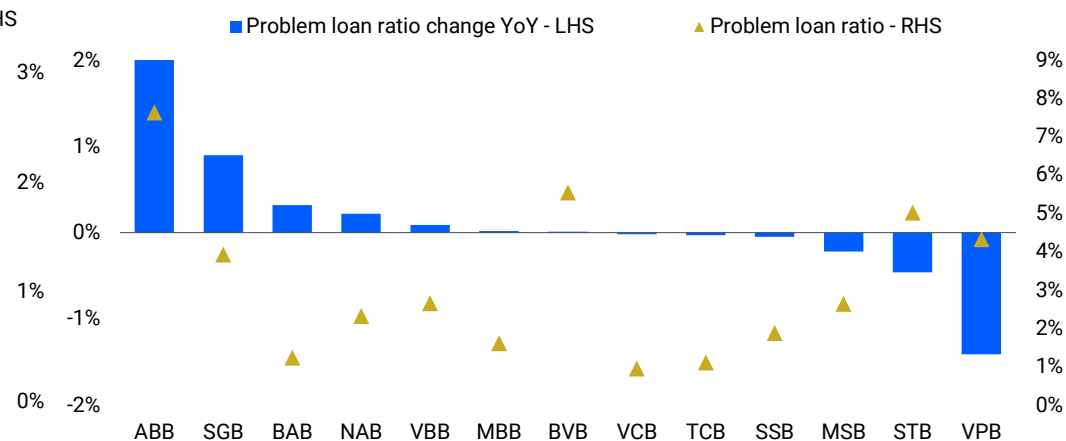
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 3: Loan delinquencies remained high for several small banks



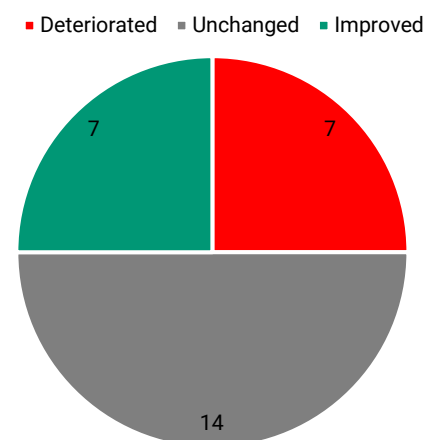
Source: Bank data, VIS Rating

Exhibit 2: Several large banks lowered problem loans in 2024 from consumer finance and mortgages



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

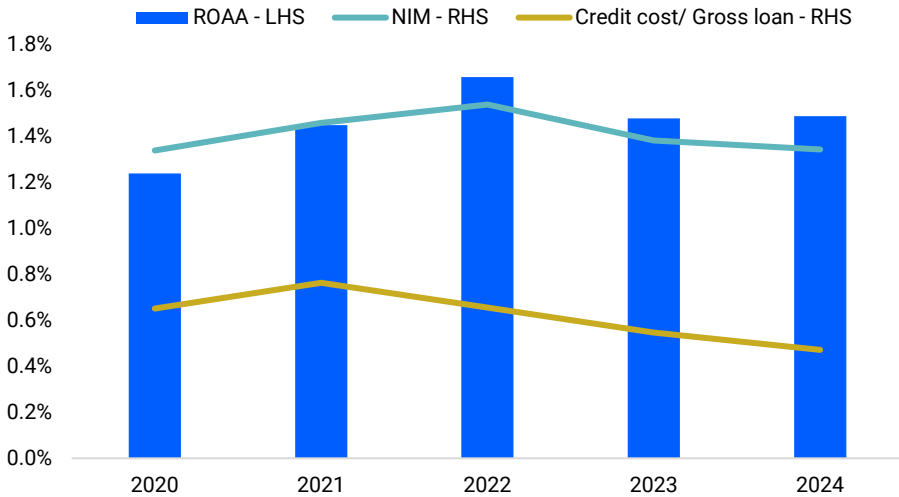
Exhibit 4: Among banks deteriorating asset quality in 2024, most are small banks



Source: VIS Rating

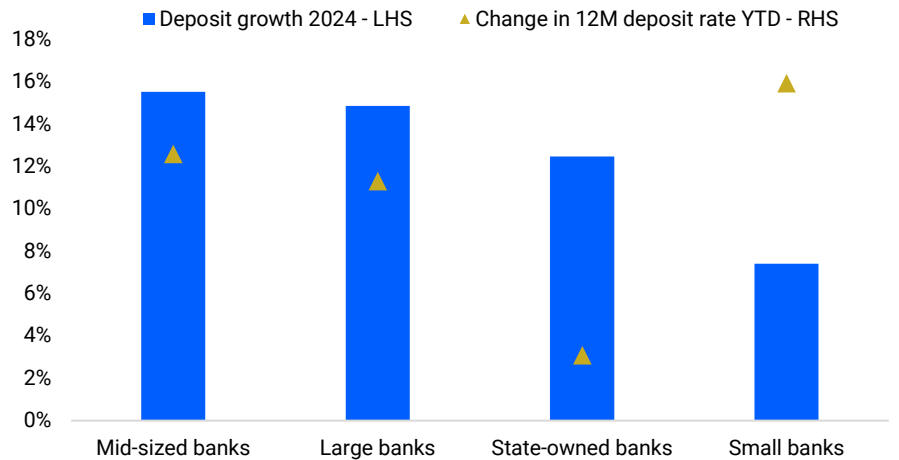
Sector profitability in 2024 remained broadly stable, and small banks were hit significantly by higher funding and credit costs

Exhibit 5: Sector's ROAA broadly remained stable in 2024



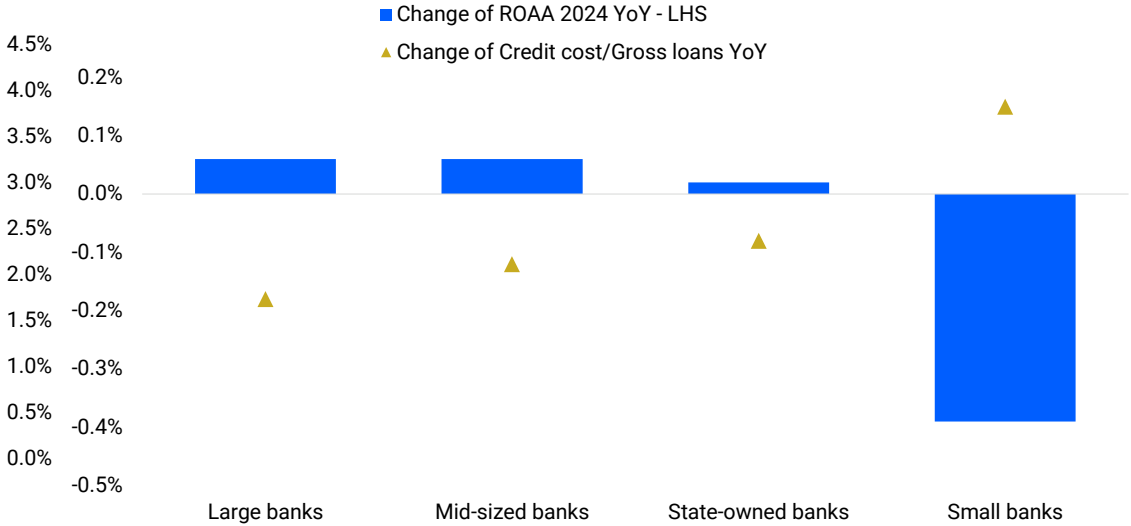
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 7: ...and funding costs among keen deposit competition



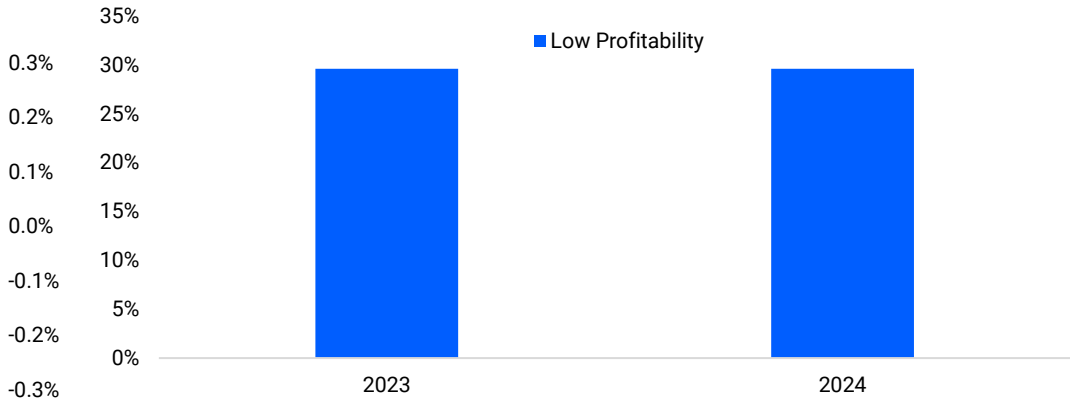
Source: Bank data, VIS Rating

Exhibit 6: Small banks were hit significantly by higher credit costs...



Source: Bank data, VIS Rating

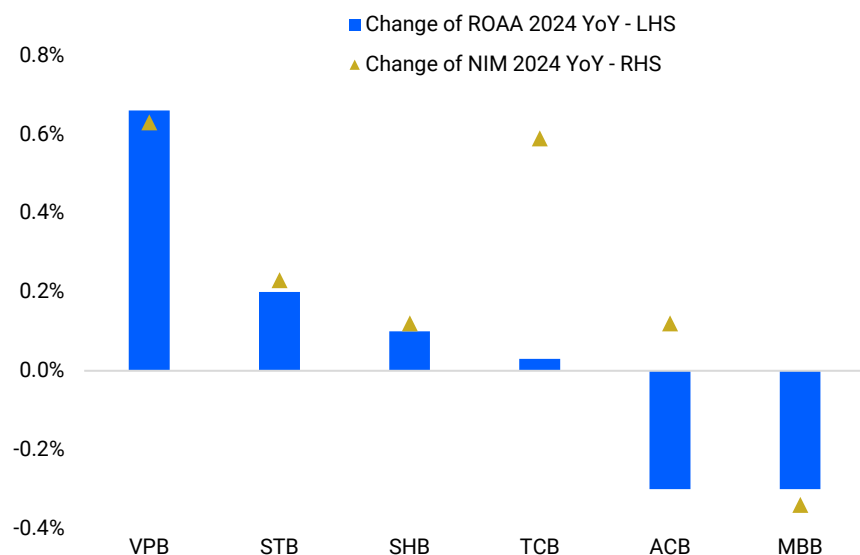
Exhibit 8: 30% of banks have low profitability, mainly small banks with high funding and credit costs



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

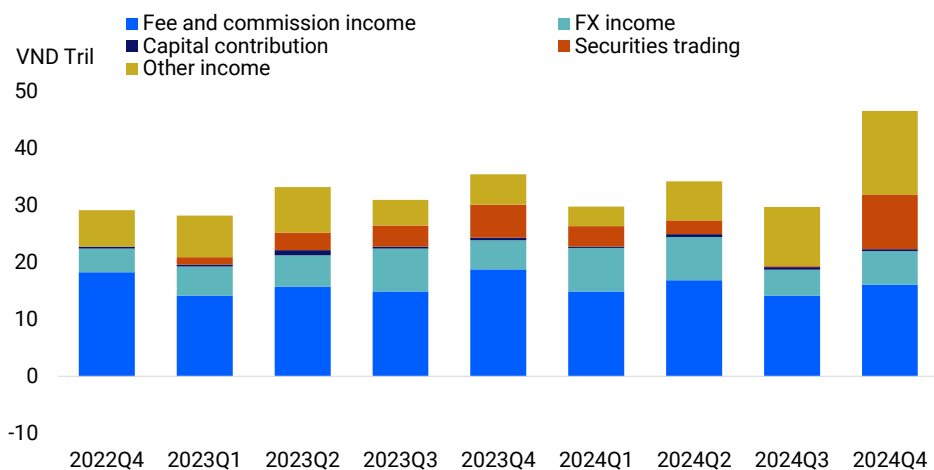


Source: VIS Rating

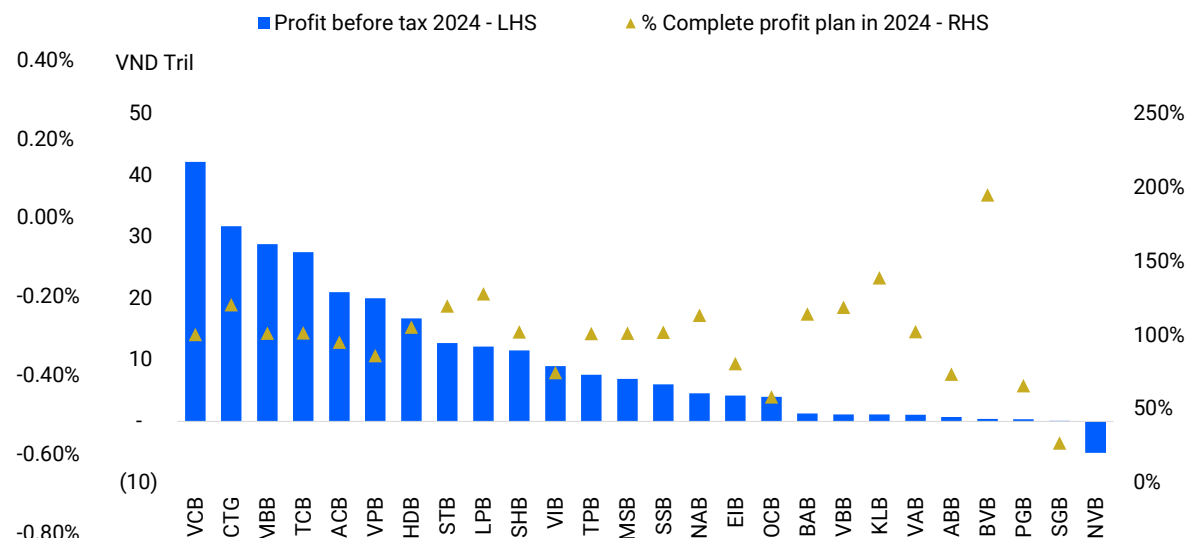
Exhibit 9: Profits trend for several large banks was mix

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

Source: Bank data, VIS Rating

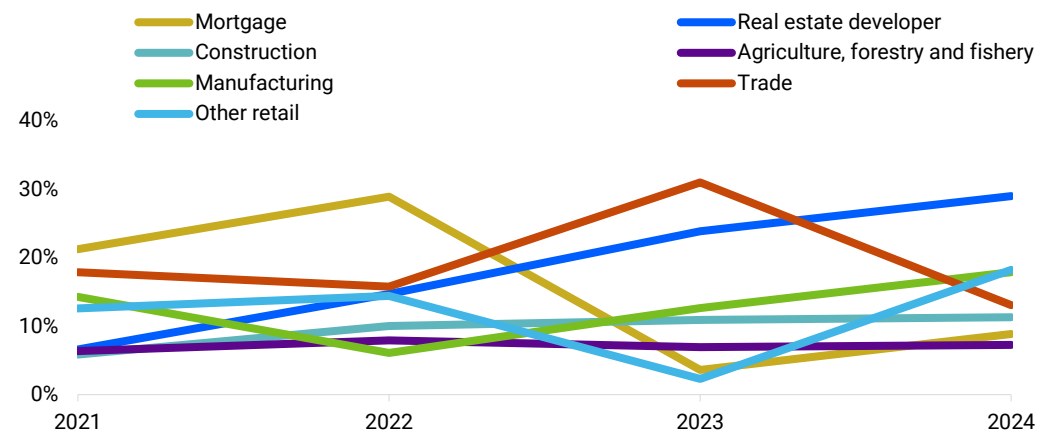
Exhibit 11: Several banks record sizable investment and debt recovery income in 4Q2024

Source: Bank data, VIS Rating

Exhibit 10: Majority of banks completed their full-year profit targets

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

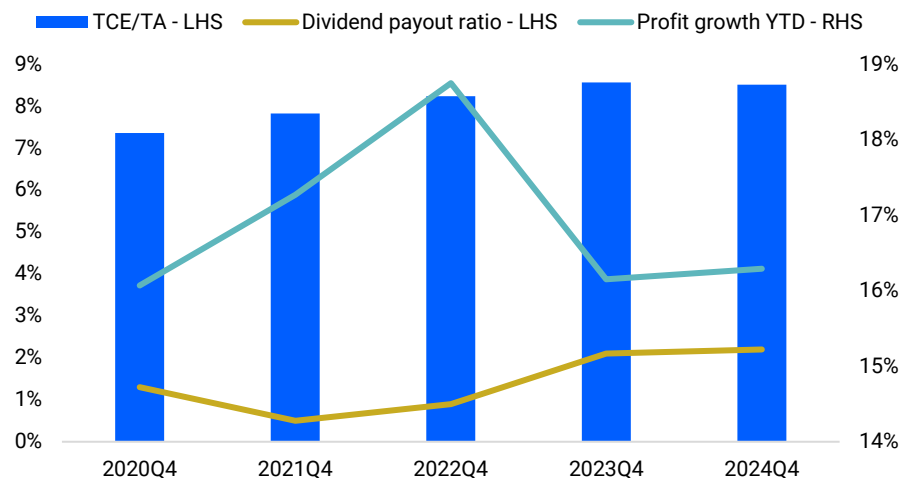
Source: Bank data, VIS Rating

Exhibit 12: Strong corporate lending growth and ongoing recovery in high-yield mortgages will drive sector profit improvement

Source: Ministry of Construction, State Bank of Vietnam (SBV), VIS Rating

Sector capital level remained modest given stable profits and limited new capital raise

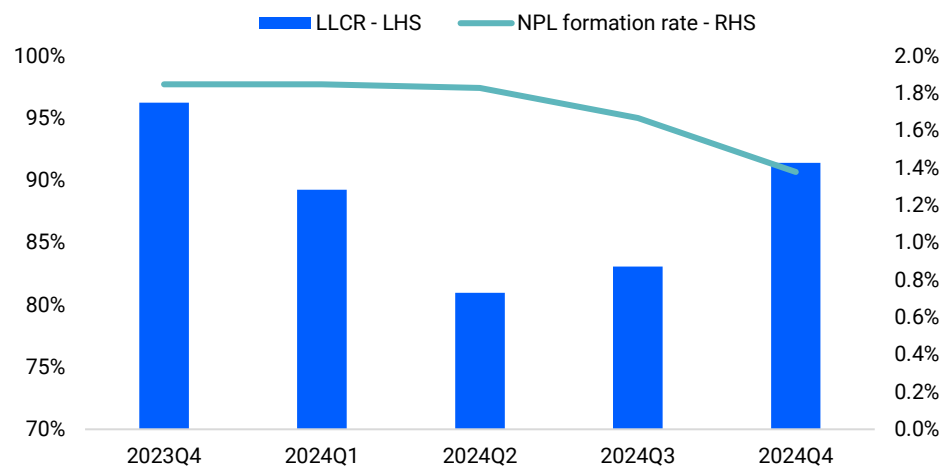
Exhibit 13: The sector capital level remained weak due to stable profits and limited new capital raise



Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

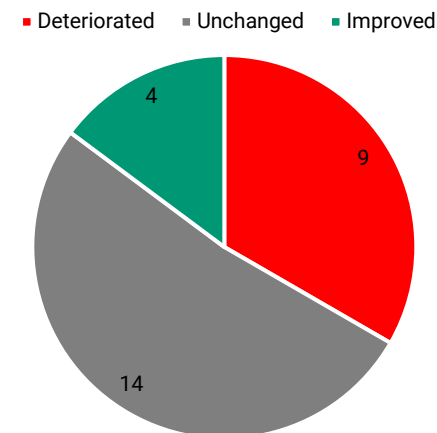
Exhibit 15: Sector LLCR showed significant improvement in 4Q2024



Note: Sector numbers include 27 listed banks.

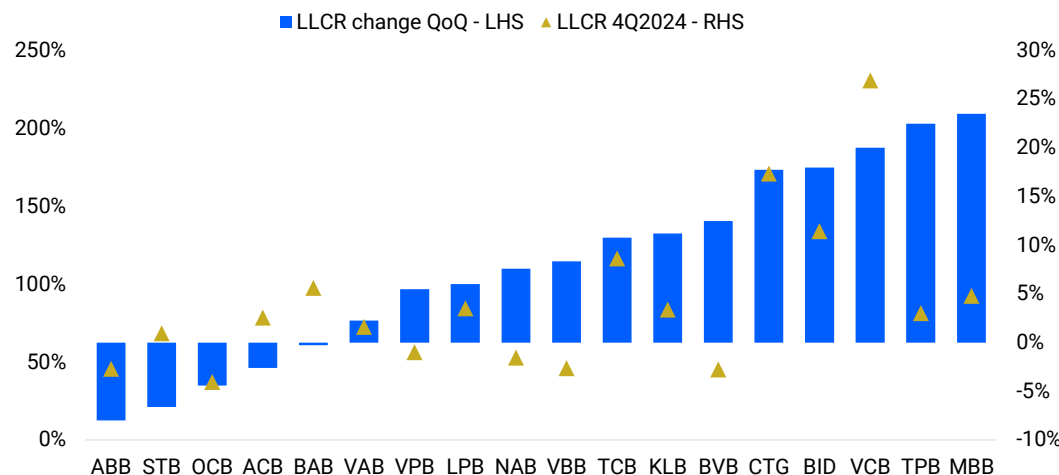
Source: Bank data, VIS Rating

Exhibit 14: Banks with slow profit growth and cash dividend payment deteriorated capital profiles



Source: VIS Rating

Exhibit 16: Most of large banks including SOBs improved their LLCR in 4Q2024

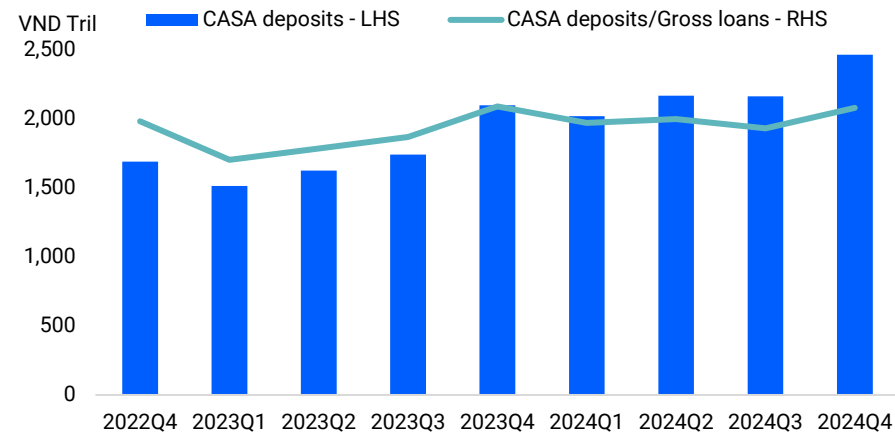


Note: Refer to the Appendix for the full name of banks

Source: Bank data, VIS Rating

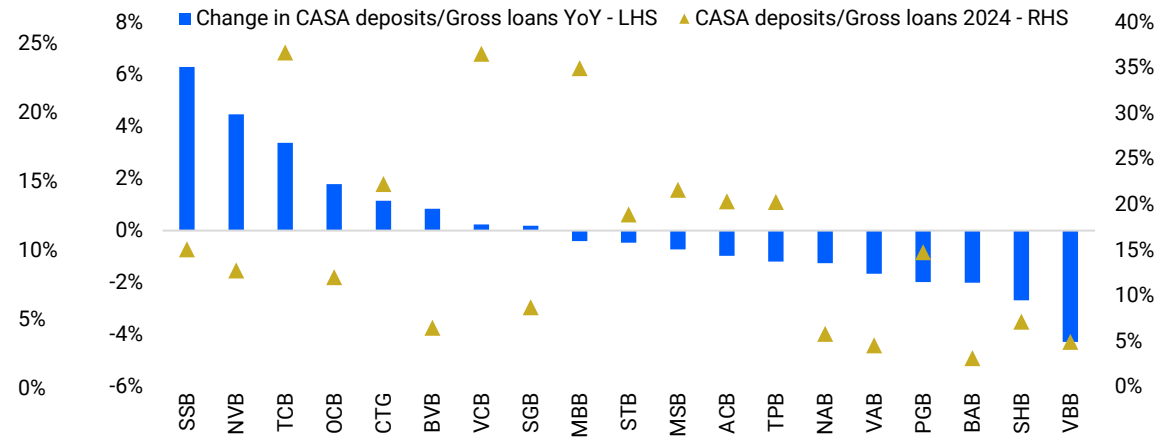
Liquidity risks remained high for several small banks given higher reliance on short-term market funds to supplement loan growth

Exhibit 17: Sector CASA deposits/gross loans remained flat in 2024



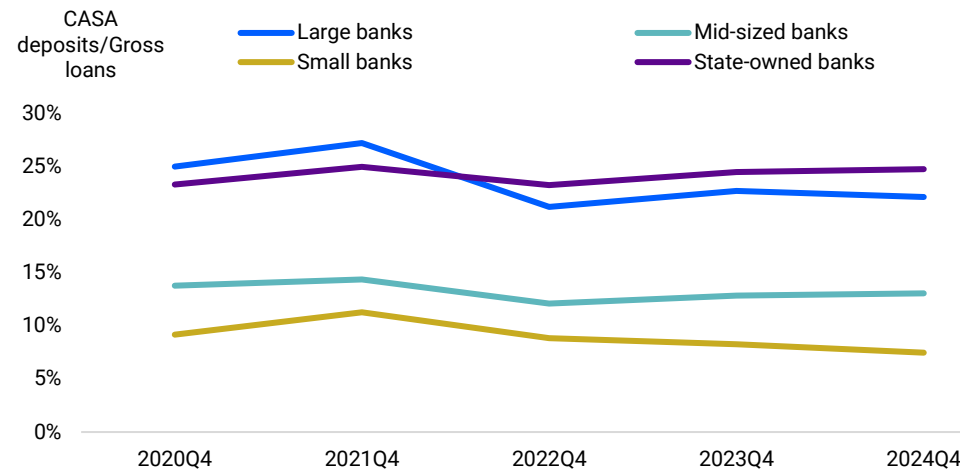
Note: Sector numbers include 27 listed banks
Source: Bank data, VIS Rating

Exhibit 18: Large banks and SOBs showing highest CASA improvements due to strong franchises and digital networks



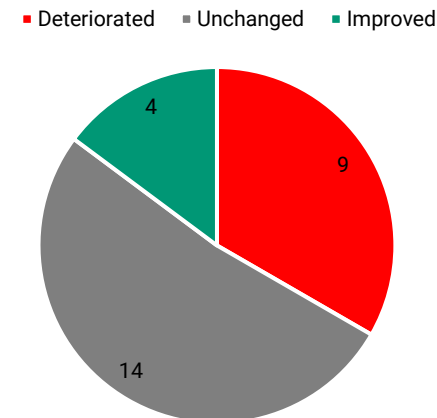
Note: Refer to the Appendix for the full name of banks
Source: Bank data, VIS Rating

Exhibit 19: CASA deposits for small banks remained weak

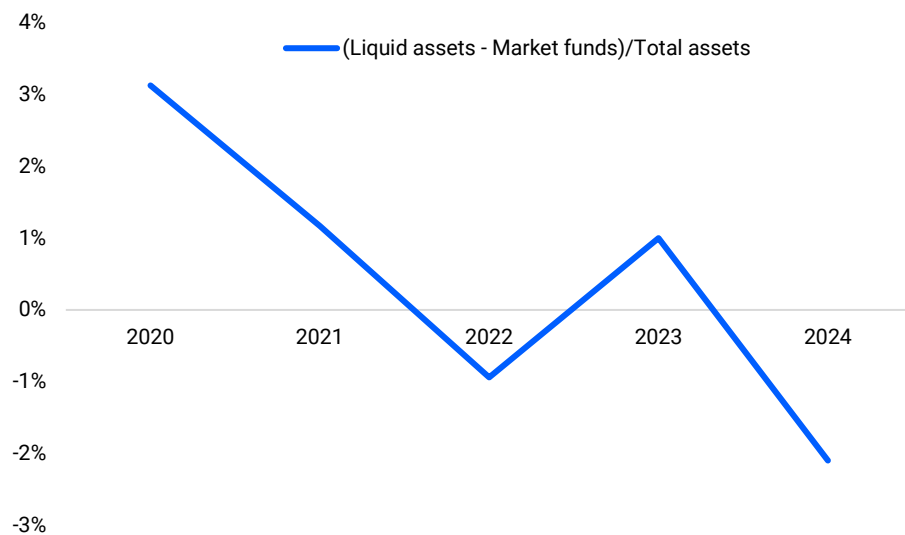


Source: Bank data, VIS Rating

Exhibit 20: Small banks have weaker funding structure profiles in 2024



Source: VIS Rating

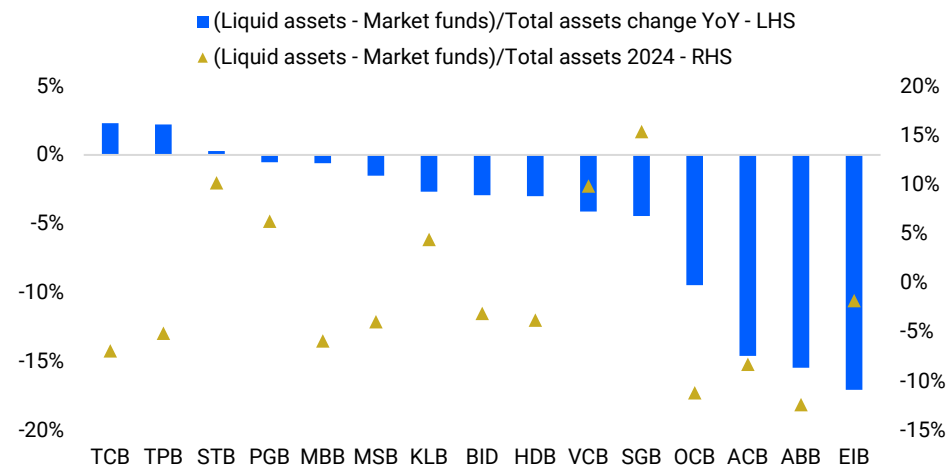
Exhibit 21: Sector liquidity ratio declined, particularly for small banks

Note: Sector numbers include 27 listed banks

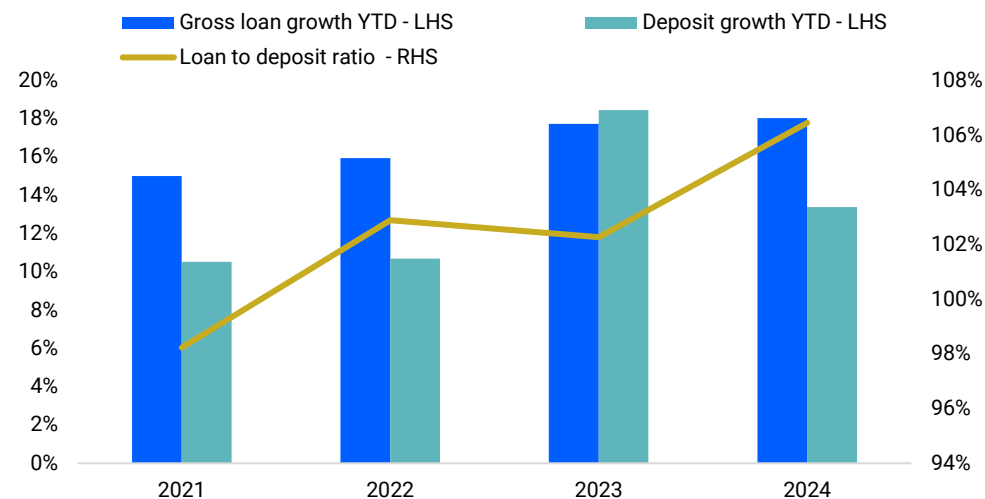
Liquid assets: Cash, balances with the SBV and other credit institutions, Government bonds

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

Source: Bank data, VIS Rating

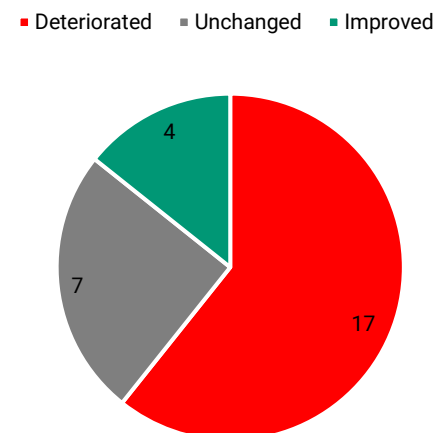
Exhibit 23: Liquidity ratio declined significantly for small banks

Source: Bank data, VIS Rating

Exhibit 22: Sector LDR remained high amid sluggish deposit growth

Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

Exhibit 24: Majority of banks have weaker liquid resources in 2024

Source: VIS Rating

APPENDIX

The banks included in our analysis are as follows (classification based on total assets as of end-2023):

	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	Mid-sized
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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