

Banking Sector

Large banks have sufficient resources to absorb and manage their newly acquired banks

In January 2025, the State Bank of Vietnam (SBV) announced the transfers of GPBank to VPBank and DongABank to HDBank. This follows a similar announcement in November 2024 on the transfer of CBBank to Vietcombank and Oceanbank to Military Bank, respectively. The bank transfers were executed under SBV's bank restructuring scheme, aimed at protecting creditors and rehabilitating bank operations back to health. Prior to the transfers, the four banks were under special control by SBV after accumulating years of bad loans and significant operating losses.

We expect the direct impact of the newly acquired banks on the large banks to be insignificant, because the acquired operations are fairly small relative to the large banks, and the large banks have sufficient resources to absorb and manage their new acquisitions.

The large banks that participated in SBV's bank restructuring scheme have so far provided both management and technical resources to the transferred banks to support the overhaul of their business strategy, operational policies and processes. For example, each of the large banks sent experienced personnel to take over key positions, including the Chairman of the board and the CEO, in the acquired banks. The large banks also rebranded their acquired banks with their parent bank entities, and converted some of the acquired banks to digital-focused banks.

The large banks will receive certain benefits and dispensations by SBV, including additional quota for credit growth, lower reserve requirements, access to liquidity assistance, etc.

Moreover, some of the large banks plan to inject new capital into the acquired banks after the accumulated losses are either reduced or eliminated. Stronger capital buffers will help to boost the acquired banks' solvency and resilience to future shocks, enhance market confidence in the viability of the newly restructured banks. VPBank announced it plans to inject up to VND16 trillion¹ in GPBank; MBBank announced new capital injection of VND5 trillion in Oceanbank over the next 7-8 years of the restructuring process; HDBank plans to inject VND9 trillion in DongABank after the bank reduces its accumulated losses.

Against the backdrop of robust economic conditions and demand for credit, asset risks may increase for the large banks that utilize their higher quotas to extend more loans to certain sectors, thereby raising credit concentration and vulnerability to event risks.

According to the bank management, VPBank and HDBank plan to increase lending to the real estate sector in 2025. Over the past three years, VPBank and HDBank already increased lending to cyclical sectors such as real estate and construction; with total loans growing by an annual average of nearly 60%/year from 2022 to 9M2024, surpassing industry average growth rate of 18%.

¹ Based on 20% of VPBank's chartered capital as of 2024

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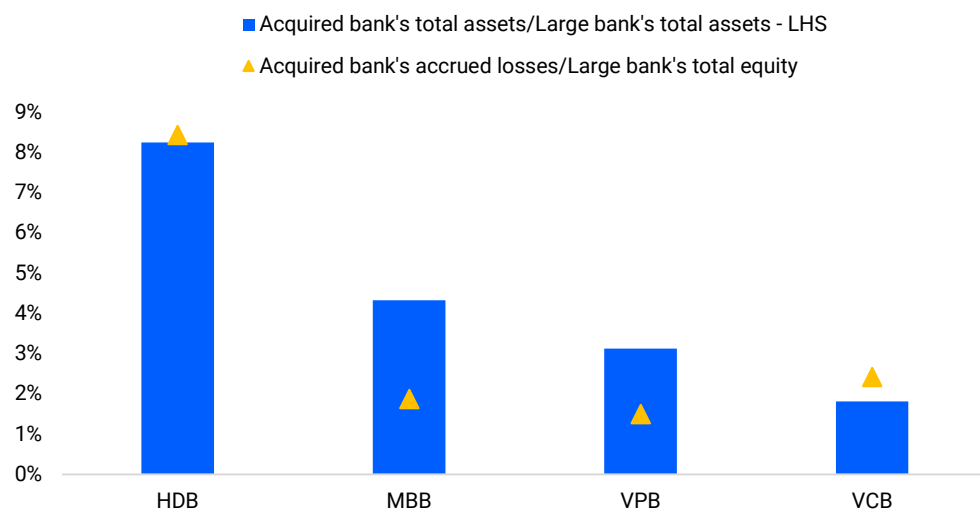


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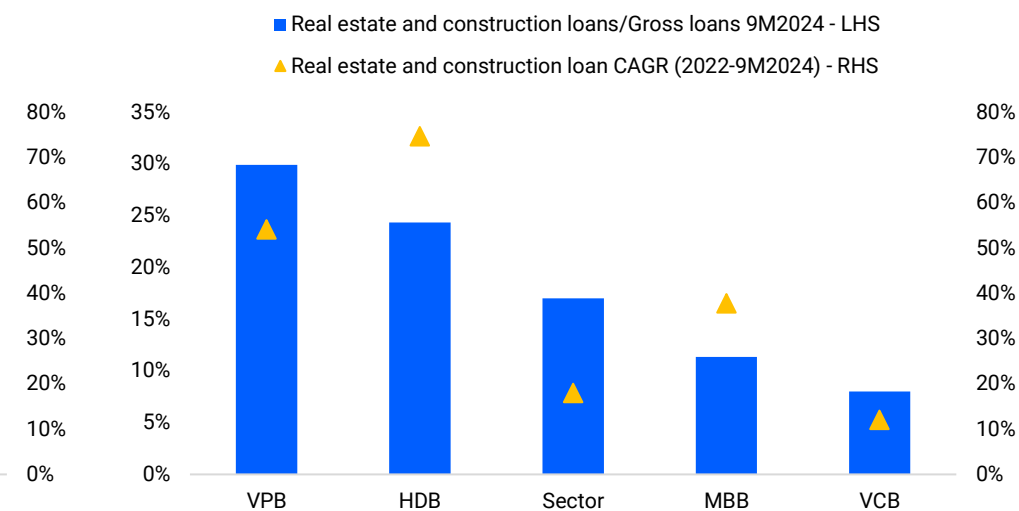
Exhibit 1: The large banks will receive certain benefits and dispensations by the SBV

Key incentives	Details	Potential impact on the large banks
 Additional credit quotas	<ul style="list-style-type: none"> ➤ Granting higher-than-peer credit growth limit (e.g. Military Bank expects faster credit growth at 1.5-2 times the industry average) 	<ul style="list-style-type: none"> ➤ Stronger asset and profit growth ➤ Higher asset risk from rising credit concentration to certain sectors
 Liquidity assistance	<ul style="list-style-type: none"> ➤ Refinancing loans from the SBV at low rates ➤ Allowing large banks to issue long-term bonds to Deposit Insurance 	<ul style="list-style-type: none"> ➤ Lower funding and liquidity burden in supporting transferred banks
 Lower reserve requirement	<ul style="list-style-type: none"> ➤ Decrease 50% reserve requirement 	<ul style="list-style-type: none"> ➤ Higher profit growth given more resources for lending
 Regulatory dispensations	<ul style="list-style-type: none"> ➤ No financial statement consolidation with acquired banks ➤ Excluding credit exposure to acquired banks in calculating prudential ratios 	<ul style="list-style-type: none"> ➤ Understate asset risk

Source: Credit Institution Law, SBV, Bank data, VIS Rating

Exhibit 2: Insignificant impacts on large banks given small size of acquired banks

Note: Acquired banks' financial data were in 2023
 Large banks' financial data were in 2024
 Refer to the Appendix for the full names of banks
 Source: Bank data, VIS Rating

Exhibit 3: Extension toward certain sectors raises credit concentration and vulnerability to event risks

Note: Refer to the Appendix for the full names of banks
 Source: SBV, Bank data, 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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