

SECTOR PROFILE

6 March 2025



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Banks – Vietnam: 2024 Update

Stable profitability but rapid loan growth will strain asset quality and funding in 2025

Rated Vietnamese banks¹ profitability improved in 2024, while asset risks remained high. Profitability increased slightly from that a year earlier because of widening net interest income. The problem loan ratio² was stable in 2024. However, the stock of problem loans continued to increase, while rapid loan growth adds to unseasoned risks. Banks' deposit growth lagged loan growth, posing funding risks. We expect strong economic growth, supported by foreign direct investment inflows and improving consumer confidence, will support stable earnings in 2025. Nevertheless, banks will face headwinds from macroeconomic uncertainty including trade tariffs.

Asset quality remained weak across most rated banks. In 2024, the problem loans ratios³ at rated banks stayed flat at 2.0% compared to last year despite an increase in stock of problem loans due to faster loan growth. All banks expanded their loan book at a fast pace of 18% on average. Some private commercial banks, whose loan books grew more than 20%, will be more prone to unseasoned asset risk. Special-mention loans (SMLs) declined to 1.6% from 1.9% over the same period as stock of SMLs declined. Concentration risk remained high at several banks in 2024 as exposure to real estate and construction grew. Many banks' average provision coverage ratio⁴ weakened further, with some banks' ratios remained below 50%. We expect asset quality risks to persist in 2025.

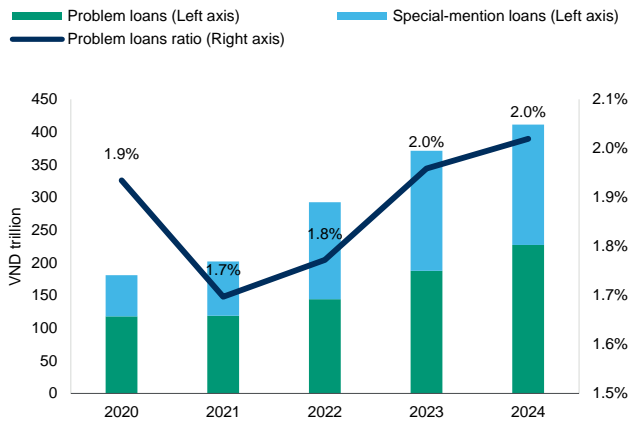
Profitability will be stable. Rated banks' average return on assets increased modestly to 1.5% in 2024 from 1.4% in 2023 as higher net interest income and lower operating expenses offset a moderate decline in non-interest income. In 2024, several banks increased the share of market funding instead of growing deposits in the overall funding mix to optimize the funding costs given the low interest rates in the interbank market. Non-interest income was weak at many banks because of lower revenue from bancassurance and investment. In 2025, we expect net interest margin to remain steady with interest rates hovering around current levels, and non-interest income will see an uptick with robust business activities. This will be offset by higher loan loss provisions as banks rebuild their reserves, keeping overall profitability stable in 2025.

Funding will remain tight, while liquidity remain modest. Funding has tightened at many banks due to increased reliance on wholesale funding, with the average loan-to-deposit ratio (LDR) climbing to 107% at the end of 2024 from 103% a year earlier. We expect banks with smaller deposit franchises to grow their reliance on market funds amid expectations of high loan growth in 2025. The liquid banking assets ratio was stable at 28% as of year-end 2024 because of a higher proportion of interbank assets. However, stock of high-quality liquid assets, which includes cash and government securities, declined across most banks to an average of around 8.3% of total assets, which is significantly lower than regional peers.

Capital will be stable. The average ratio of tangible common equity (TCE) to total assets at rated banks remained stable at 8.4% at the end of 2024 from 8.5% a year earlier as most banks retain capital via share dividend. A few banks with sizable exposure to social housing, agricultural and rural areas benefited from lower risk weights stipulated in the recently issued Circular 22, leading to an improved capital ratio⁵ by around 50-100bps. We expect overall capitalization to remain stable in 2025 as banks' internal capital generation and capital retention policies such as share dividend will support asset growth.

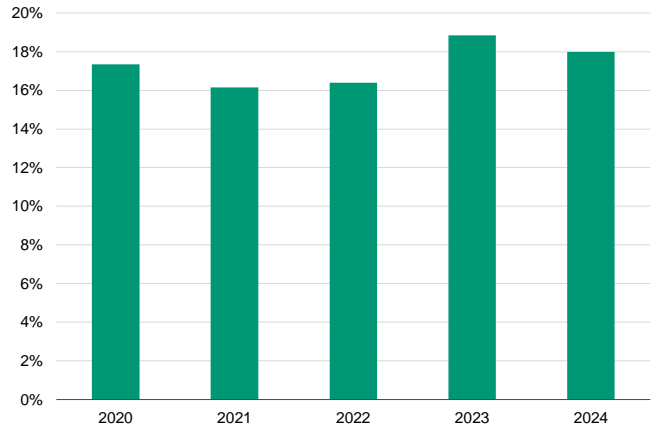
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Exhibit 1
The stock of problem loans continued to rise in 2024, while SMLs remained flat



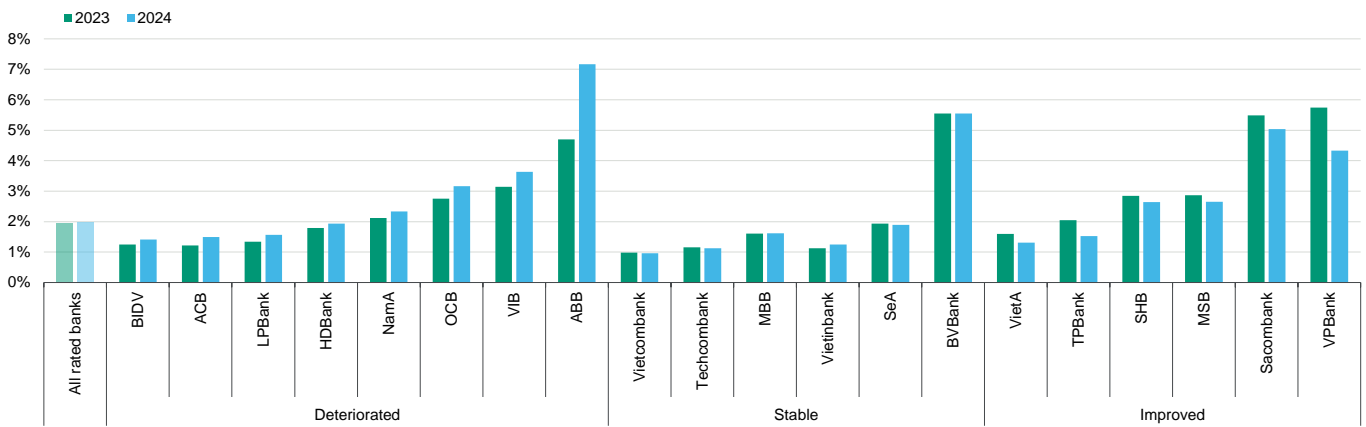
Sources: Banks and Moody's Ratings

Exhibit 2
Rated banks' loan growth has been consistently high over the past 5 years



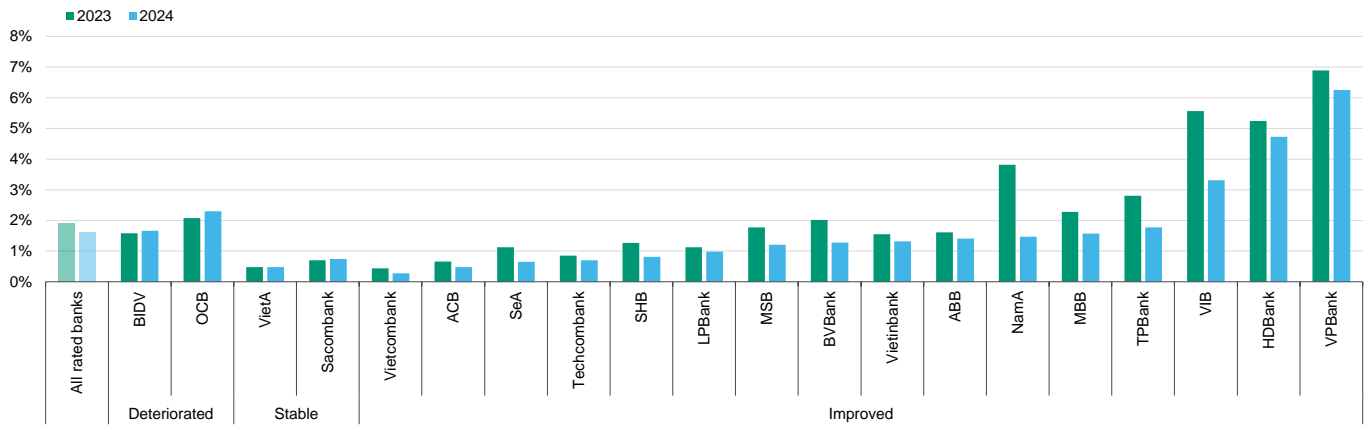
Source: Banks and Moody's Ratings

Exhibit 3
Asset quality remained weak for several banks in 2024
Problem loans as a percentage of adjusted gross loans



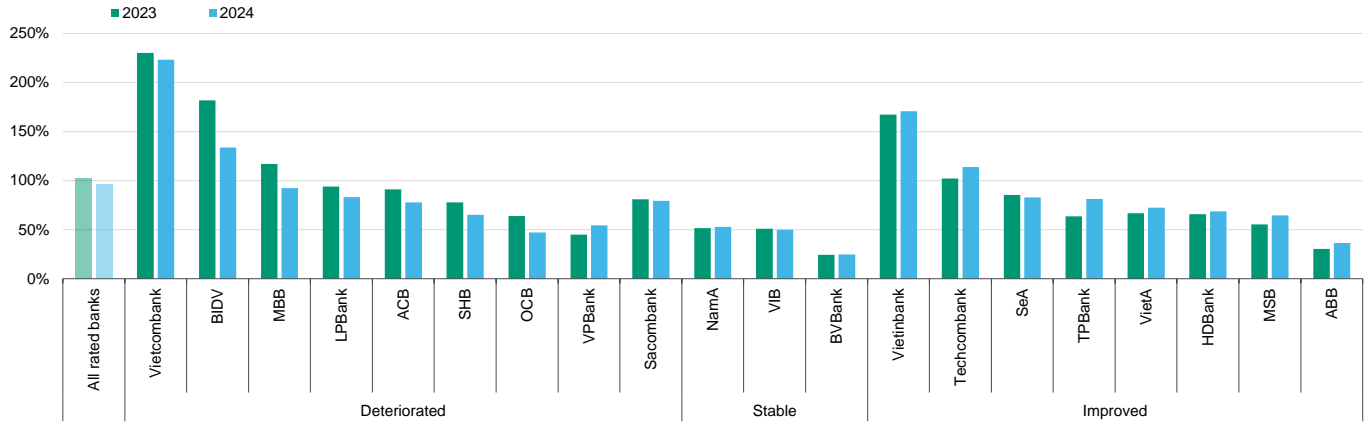
See this endnote⁶ for banks' full name and ratings.
Sources: Banks and Moody's Ratings

Exhibit 4
Declining SML ratios helped by stronger loan growth and lower stock of SML
 SMLs as a percentage of adjusted gross loans



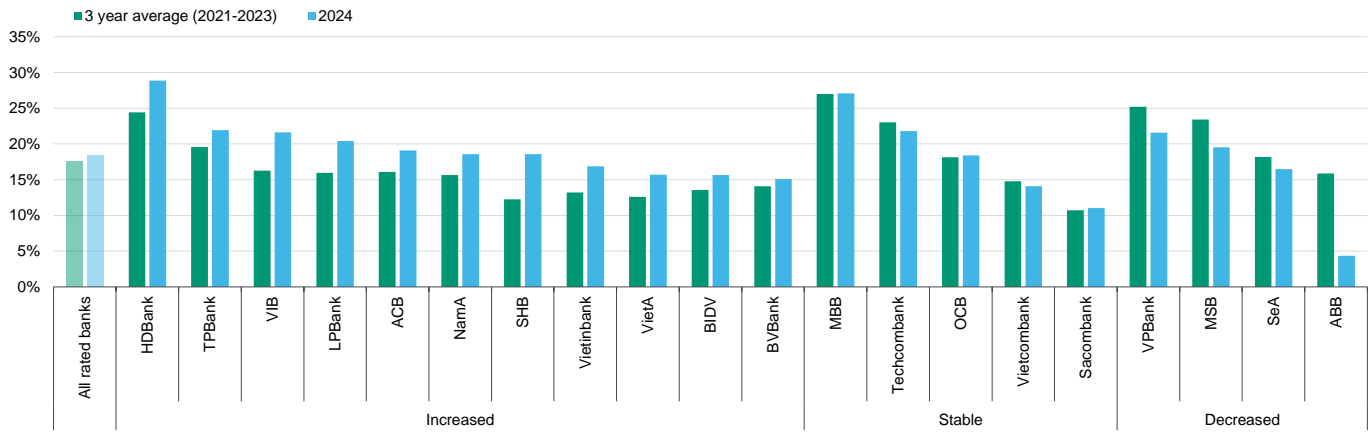
Sources: Banks and Moody's Ratings

Exhibit 5
Loan loss coverage weakened in 2024 across most rated banks, with most having limited buffers against asset-quality risks
 Reserves against loan losses and VAMC bonds as a percentage of problem loans



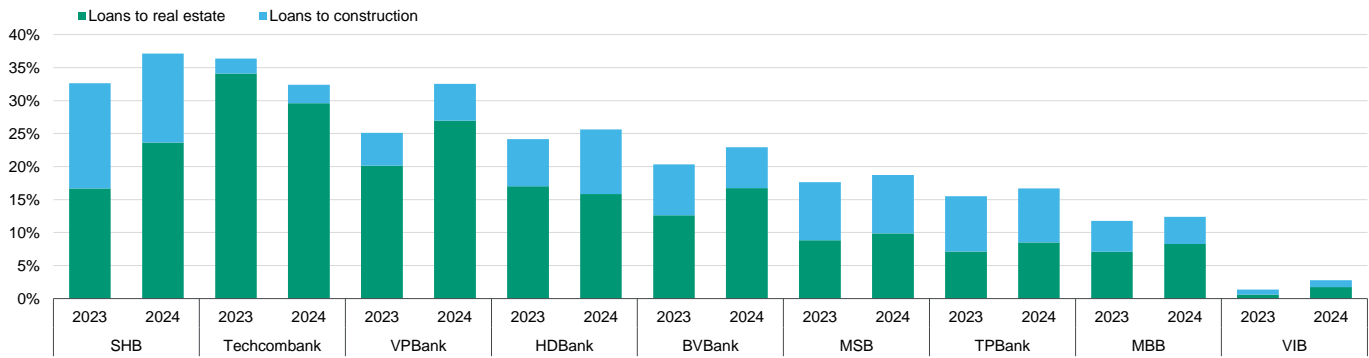
Sources: Banks and Moody's Ratings

Exhibit 6
Unseasoned risk will persist as system loan growth is likely to remain high in 2025
 Gross loan growth rate



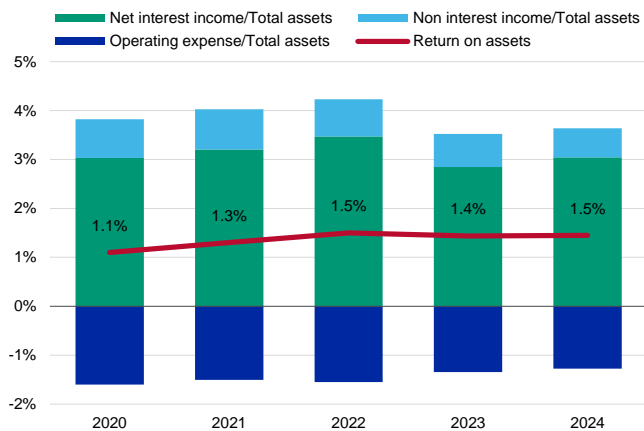
Sources: Banks and Moody's Ratings

Exhibit 7
Banks' exposures to the stressed construction and real estate sector vary, with some increasing their already high exposure
 Loans to real estate and construction as a percentage of gross loans



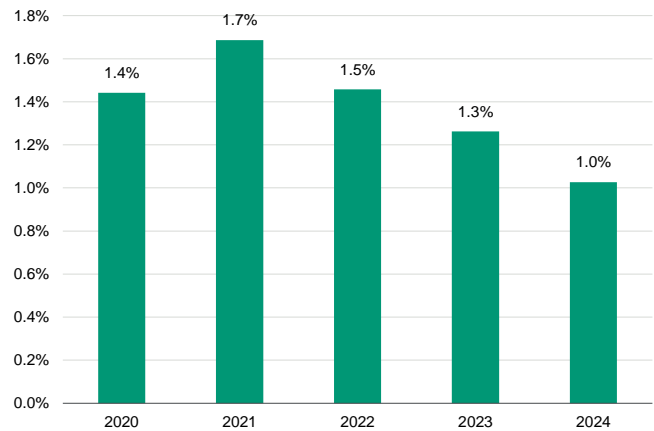
Banks without breakdown by sector disclosures in their unaudited financial statements have been excluded from the above chart.
 Sources: Banks and Moody's Ratings

Exhibit 8
Reduction in operating expenses improved banks profitability in 2024



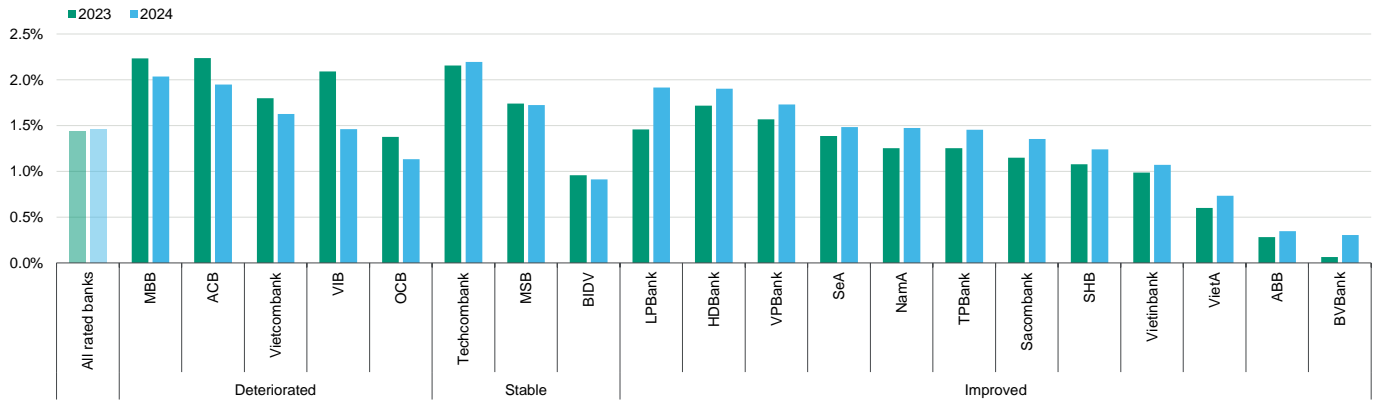
Sources: Banks and Moody's Ratings

Exhibit 9
Credit costs will increase as asset risks remain high
 Loan loss provisions as a percentage of gross loans



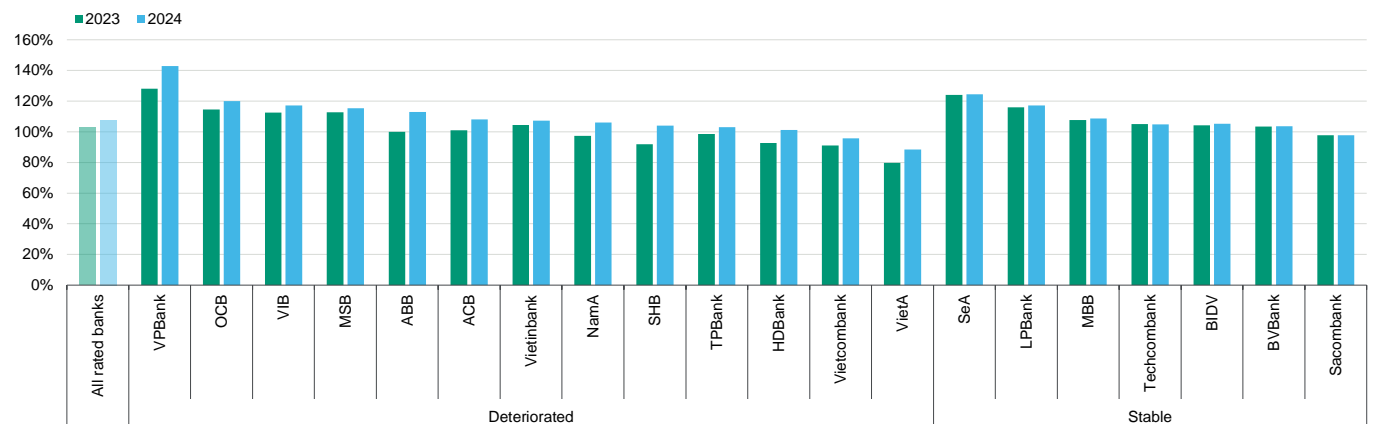
Sources: Banks and Moody's Ratings

Exhibit 10
Profitability improved for most banks in 2024
 Net income as a percentage of tangible banking assets



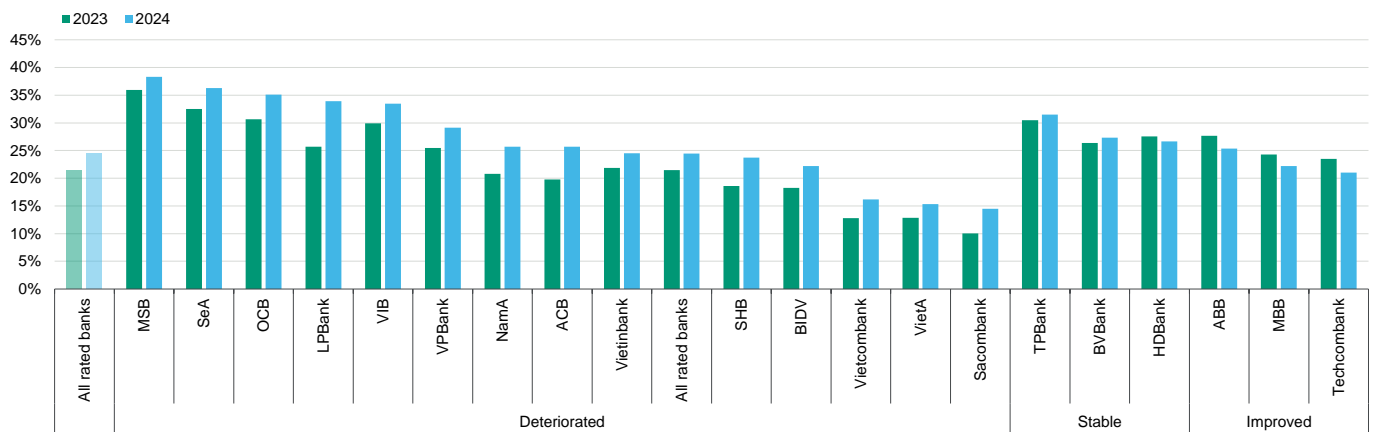
Source: Banks and Moody's Ratings

Exhibit 11
Loan growth outpaced deposit growth for many banks in 2024
 Loan-to-deposit ratio



Sources: Banks and Moody's Ratings

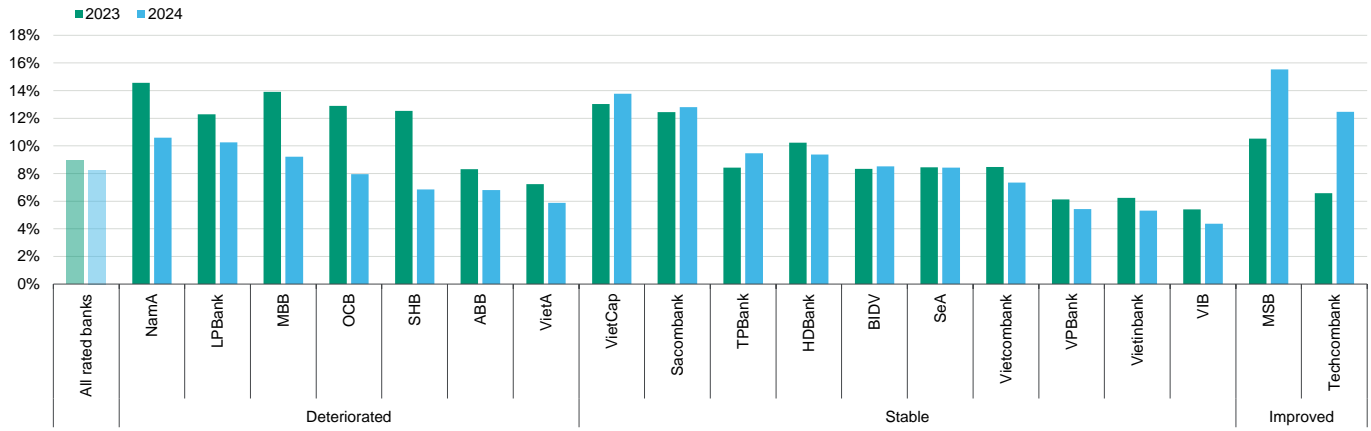
Exhibit 12
Most banks have further extended their reliance on market funds to support balance-sheet growth
 Market funds as a percentage of tangible banking assets



Sources: Banks and Moody's Ratings

Exhibit 13

Banks' liquid assets remained at the same level in 2024, driven by higher interbank assets while high-quality liquid assets declined
 High quality liquid assets as a percentage of tangible banking assets

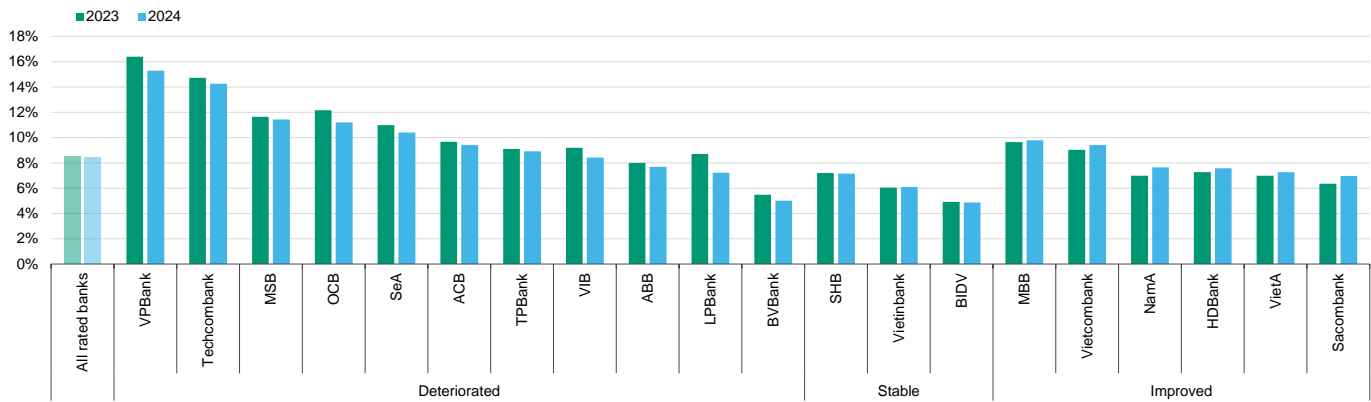


Banks without breakdown by securities disclosures in their unaudited financial statements have been excluded from the above chart.

Sources: Banks and Moody's Ratings

Exhibit 14

Capital ratios remained broadly stable across banks
 Tangible common equity as a percentage of total assets



Sources: Banks and Moody's Ratings

Endnotes

- 1 This report is based on 2024 unaudited financial results of 20 rated Vietnamese banks. The financial statements of [Vietnam Bank for Agriculture and Rural Development](#) (Ba2 stable, b2) for 2024 are not publicly available, so they are excluded from this report.
- 2 Problem loans as a percentage of adjusted gross loans. Our definition of problem loans for Vietnam includes loans classified as nonperforming under Vietnamese accounting standards, and gross Vietnam Asset Management Company (VAMC) bonds. VAMC bonds are de facto problem loans that are classified as held-to-maturity securities and fully amortized over five to 10 years.
- 3 Ratios used throughout this report refer to aggregate average for our rated banks.
- 4 Reserves against loan losses and VAMC bonds as a percentage of problem loans.
- 5 TCE to risk-weighted assets.
- 6 [JSC Bank for Invstmnt & Developmnt of Vietnam](#) (BIDV, Ba2 stable, b2), [Vietnam JSC Bank for Industry and Trade](#) (Vietinbank, Ba2 stable, b1), [JSC Bank for Foreign Trade of Vietnam](#) (Vietcombank, Ba2 stable, ba3), [Military Commercial Joint Stock Bank](#) (MBB, Ba3 stable, ba3), [Vietnam Technological and Comm'l JSB](#) (Techcombank, Ba3 stable, ba3), [Vietnam Prosperity Jt. Stk. Commercial Bank](#) (VPBank, Ba3 stable, ba3), [Saigon Thuong Tin Commercial Joint-Stock Bank](#) (Sacombank, B2 stable, b3), [Asia Commercial Joint Stock Bank](#) (ACB, Ba3 stable, ba3), [Saigon - Hanoi Commercial Joint Stock Bank](#) (SHB, B1 stable, b2), [Ho Chi Minh City Development JSC Bank](#) (HDBank, B1 negative, b2), [Vietnam Intl Commercial Joint Stock Bank](#) (VIB, Ba3 negative, b1), [Fortune Vietnam Joint Stock Commercial Bank](#) (LPBank, B1 stable, b2), [Tien Phong Commercial Joint Stock Bank](#) (TPBank, Ba3 negative, b1), [Vietnam Maritime Commercial Joint Stock Bank](#) (MSB, B1 stable, b2), [Southeast Asia Commercial Joint Stock Bank](#) (SeA, Ba3 stable, b1), [Orient Commercial Joint Stock Bank](#) (OCB, Ba3 stable, b1), [Nam A Commercial Joint Stock Bank](#) (NamA, B2 stable, b3), [Viet A Commercial Joint Stock Bank](#) (VietA, B2 stable, b3), [An Binh Commercial Joint Stock Bank](#) (ABB, B2 stable, b3), [Viet Capital Commercial Joint Stock Bank](#) (BVBank, B3 stable, b3). The ratings shown here are the deposit rating, outlook (where available) and Baseline Credit Assessment (BCA).

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