UNEVEN GROWTH PROSPECTS

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- The banking sector's financial performance in Q3/2025 showed an impressive improvement, with total profit after tax reaching more than VND 69 trillion (+24.3% YoY).
- Growth momentum came from both net interest income (NII) (+13.1%), supported by outstanding credit growth, and a strong surge in non-interest income (NOII) (+29.5%). Notably, accelerated digital transformation helped the CIR ratio fall to a record low of 32.7%, becoming a key lever to protect profitability amid net interest margin (NIM) being compressed to 3.05% – the lowest level since Q1/2019 due to lending-rate competition.
- Asset quality also showed positive signals as the NPL ratio declined to 2.0%, coverage ratios recovered, and especially Group-2 loans fell to the lowest level in three years (1.24%), reflecting better control over the risk of new NPL formation.
- Looking ahead to 2026, although credit growth is expected to exceed 20%, the removal of the credit quota mechanism is forecast to intensify competition and continue to put pressure on NIM.
- Based on fundamental factors and the long-term outlook, PHS has a positive recommendation on a portfolio of banking stocks, including VCB, CTG, VPB, and OCB.

Earning results

The banking sector's profitability in Q3/2025 showed many bright spots. Based on financial statement data from 28 listed banks, despite notable compression of NIM, outstanding credit growth helped NII in Q3 increase by 13.1% YoY. Meanwhile, NOII rose by 29.5% YoY, with growth across all segments, particularly service fees, bad-debt resolution, and trading securities.

Meanwhile, operating costs are effectively controlled. The CIR in Q3/2025 dropped to a record low of 32.7%, due to technology adoption and digital transformation. This is a key solution to support profit growth amid significant NIM pressure.

The provision expenses in 3Q2025 rose only 9.7% YoY. Consequently, NPAT reached more than VND 69 trillion, up 24.3% YoY. The high growth is partly due to comparison with the low base in Q3/2024.

Compared to Q2 2025, the NPAT of the banking sector declined by 1.9%. The main reasons were slower credit growth and a contraction in NIM across. By the end of Q3/2025, aggregate credit growth in the economy reached 13.9% YTD, implying about 4.0% growth in Q3. This was significantly lower than the 6.0% increase in Q2. However, it is not a concern, as the credit growth slowdown in Q3 tends to be cyclical and disbursements usually accelerate in the final three months of the year.

Notably, several banks still recorded strong QoQ profit growth, most of which have a high proportion of corporate lending. Typical examples include VPB, OCB, VBB, and PGB. In particular, BVB reported a profit 26.5 times higher than in Q2/2025, as its corporate loan weight surged from 35% to 51%. In contrast, banks with a high retail loans share (VIB, ACB, EIB, BAB) saw profit decline significantly QoQ. This indicates that the corporate segment has recently attracted more credit than retail.

Importantly, credit to the real estate sector has been strongly promoted. This is the key sector driving overall credit growth in the economy. Based