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FINANCIAL CAPACITY OF LISTED JOINT-STOCK COMMERCIAL BANKS IN VIET NAM

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INTRODUCTION

1. Urgency of the Dissertation Topic

Commercial banks (CBs) play a central role in guiding capital flows, stabilizing macroeconomic finance, and transmitting monetary policy. However, their business characteristics, which are heavily reliant on leverage and trust, make the banking system sensitive to liquidity shocks, fluctuations in asset quality, and contagion risks. Therefore, financial capacity becomes a fundamental condition for banks to maintain safe growth, enhance risk resilience, and sustainably grow.

During the digital transformation period, enhancing financial capacity becomes even more urgent, as it opens opportunities to improve efficiency and expand market while simultaneously increasing investment costs, operational risks, and the need to upgrade governance platforms. In particular, the listed joint-stock CBs are crucial due to their close ties to the capital market, their high pressure for transparency and market discipline, and their status as large-scale groups within the system. Therefore, studying the financial capacity of these banks is significant both scientifically and practically, as it helps identify the degree of differentiation and suggests solutions to improve financial capacity in a safe, transparent, and sustainable manner.

2. Research Objectives and Tasks

2.1. Domestic studies: In Vietnam, research on bank financial performance often focuses on basic financial indicators or applies component-based assessment frameworks, thereby proposing policy implications and management solutions for each group of indicators. These works provide an important reference base for indicator selection, methods of interpreting financial performance, and suggested solutions, but differ in sample size, analysis phase, and the level of systematization of the measurement framework.

2.2. Foreign studies: The financial capacity of CBs is a widely studied topic in international banking and finance. Financial capacity is commonly understood as a multidimensional structure that reflects a bank's financial health

under normal conditions and in the face of shocks. Instead of equating financial capacity with a single indicator, many studies adopt a comprehensive measurement framework that combines capital adequacy, asset quality, risk, efficiency, profitability, liquidity, macroeconomic factors, competition, and changes in business models driven by technology.

2.3. Research Gaps: The overview reveals a lack of research on developing a multi-dimensional framework for assessing financial capacity, consistently applicable to listed joint-stock CBs, while also analyzing trends and differentiation among bank groups. Furthermore, the need for updates covering the 2015–2024 period is significant, as this timeframe encompasses major changes such as system restructuring, the impact of COVID-19, macroeconomic management, and digital transformation, which could alter banks' risk characteristics and financial structures.

2.4. The research challenges of this dissertation are as follows: Based on the above gaps, the dissertation requires: (i) standardizing the theoretical basis and evaluation framework of financial capacity suitable for the specific characteristics of listed banks; (ii) assessing the current state, trends, and degree of differentiation of financial capacity over time and by bank group; (iii) identifying limitations and main causes; and (iv) proposing solutions at the bank level along with policy and supervisory recommendations to support the improvement of financial capacity.

3. RESEARCH OBJECTIVES, TASKS, AND QUESTIONS

3.1. Overall research objective: This dissertation aims to build a theoretical basis and a framework of indicators for evaluating the financial capacity of listed CBs in Vietnam; based on this, to assess the current situation, trends, and degree of differentiation of financial capacity in the period 2015–2024 (by charter capital size groups), identify limitations and their causes; and thereby propose a set of solutions and recommendations to improve financial capacity in the context of integration and digital transformation.

3.2. Specific research objectives: This dissertation focuses on systematizing and interpreting financial capacity as a multidimensional structure; developing and standardizing a framework of indicators; analyzing the current state and differentiating financial capacity according to groups of charter capital size; and proposing feasible solutions and recommendations**.**

3.3. Research questions: This dissertation clarifies: (i) how the financial capacity of CBs is understood and constituted, and what indicator framework is suitable for assessing the financial capacity of listed joint-stock CBs in the Vietnamese context; (ii) the current state and trends of financial capacity fluctuations during the period 2015–2024 and the degree of differentiation by charter capital group; (iii) achievements, limitations, and causes; (iv) what solutions and recommendations at the bank level and at the policy and supervisory levels can be implemented to improve financial capacity.

4. RESEARCH SUBJECTS AND SCOPE

4.1. The research subject is the financial capacity of listed CBs, examined through the main components related to capital mobilization, capital allocation and utilization, financial safety, and operational efficiency.

4.2. The dissertation uses financial data of listed CBs during the period 2015–2024.

5. RESEARCH METHODOLOGY

The dissertation combines a systemic and holistic approach with empirical analysis to ensure internal logic in assessing financial capacity and the ability to quantify it based on actual data. The primary data used are secondary data from annual financial statements and annual reports of listed joint-stock CBs during the period 2015–2024, along with industry reports and relevant legal documents (including the Basel II/III regulatory frameworks).

The main analytical methods include: content analysis to systematize theory; descriptive statistics to calculate and evaluate financial capacity indicators; comparative analysis; and classification of banks by charter capital size to clarify differences in financial capacity between groups.

6. NEW CONTRIBUTIONS OF THE DISSERTATION

Theoretically, the dissertation clarifies the financial capacity of CBs as a multidimensional financial structure, while also identifying the financial capacity characteristics of the group of listed joint-stock CBs under conditions of market discipline and high information transparency. The dissertation also develops a relatively comprehensive indicator framework to assess financial capacity, serving comparisons over time and between different groups of banks.

In terms of methodology and practice, the dissertation provides an empirical picture of financial capacity during the period 2015–2024 by each component, comparing groups by charter capital size and by period, thereby identifying strengths, weaknesses, and sensitivity to macroeconomic fluctuations; at the same time, it suggests directions for adjusting financial strategy, asset structure, capital sources, and risk management, serving as a reference basis for regulators and related stakeholders.

CHAPTER 1: THEORETICAL FRAMEWORK ON THE FINANCIAL CAPACITY OF COMMERCIAL BANKS

1.1. Overview of Commercial Banks

1.1.1 The Concept of Commercial Banks

CBs are financial institutions that play a crucial intermediary role in the economy. They mobilize idle capital from households and organizations and reallocate it through lending, investment, and the provision of a variety of banking and financial services. From a functional aspect, they act as intermediaries for credit and payment. They are crucial in promoting the circulation of money, supporting production, business activities, and consumption, thereby contributing to macroeconomic stability and development

1.1.2 Business Activities of Commercial Banks

In their business activities, CBs are characterized by high leverage levels and a strongly financialized balance sheet structure. A bank’s capital mainly comes from deposits and other debt instruments, while equity typically accounts for a notably lower proportion compared to total assets. This trait enables banks

to expand rapidly in scale but also increases their sensitivity to liquidity shocks and asset-quality deterioration. Thus, a bank's health cannot be assessed solely on profitability; it must also consider its ability to maintain capital safety, manage risks, ensure liquidity, and generate sustainable income.

1.1.3 Finance of Commercial Banks

The finance of CBs can be understood as the entirety of relationships involving the formation, distribution, and use of monetary resources associated with banking business activities. Unlike non-financial firms, bank finance is closely linked to the balance sheet: liabilities comprise equity and mobilized funds, while assets consist of liquidity reserves, loans, investments, and other earning assets. The high volatility of funding, especially withdrawable deposits, means that bank financial management is beyond optimizing profits; it also involves managing maturity, capital costs, solvency, and risk levels.

Viewed as a cycle, bank financial activities begin with capital formation. Capital includes equity (charter capital, surplus, retained earnings, etc.) and funds mobilized from the market (household and corporate deposits, issuance of valuable papers, interbank borrowings, etc.). Capital formation quality is reflected not only in scale but also in stability, maturity structure, capital costs, and diversification of funding sources. forming the basis for maintaining liquidity, expanding credit, and meeting capital adequacy requirements.

Based on mobilized capital, banks proceed to use funds. In principle, capital is allocated to reserves, credit, and investment activities to ensure solvency, generate income, and diversify income-generating assets. The efficiency of capital use depends on portfolio allocation quality, asset-funding alignment, and risk management capacity. Thus, commercial bank finance is the direct foundation for forming and assessing the bank's financial capacity.

1.2. Financial Capacity of Commercial Banks

Based on theory of CB finance, a bank's financial capacity refers to its ability to create, manage, and deploy financial resources to ensure secure operations, resilience, and sustainable efficiency and profitability under various

economic conditions. Financial capacity is a comprehensive concept; a single indicator cannot fully assess bank soundness, as a bank may offer high short-term returns while also facing liquidity or asset-quality risks.

For joint-stock CBs, especially listed group, financial capacity has several key features. First, operating in a highly competitive environment and under transparency and market discipline pressure, capital, liquidity, and profitability decisions are highly responsive to investor expectations and policy changes. Second, access to capital markets can facilitate capital increases and fundraising, but requires banks to maintain robust governance, disclosure standards, and performance. Third, under increasingly stringent capital requirements, banks must balance between growth and safety, avoiding the trade-off of credit growth at the expense of deteriorating asset quality or liquidity shortages.

In essence, the CBs financial capacity cannot be fully captured by a single indicator (such as ROE or CAR), as bank financial health reflects the combined outcome of funding strength, balance sheet structure, risk resilience, and sustainable profitability. Accordingly, the evaluation framework should be structured into interlinked indicator groups covering inputs, processes, safety buffers, and outputs, enabling both temporal and cross-bank comparability.

In this dissertation, the set of criteria for assessing financial capacity is systematized into the following four groups:

(1) Group of criteria reflecting capital mobilization and formation capacity

This group of criteria addresses the question: Does the bank possess a sufficiently strong and stable capital base to finance growth? For CBs, capital comprises not only equity but also the capacity to mobilize market funds at reasonable costs and with high stability.

In terms of indicators, this group generally covers three layers: (i) equity, (ii) customer deposits, and (iii) capital structure and stability. Key indicators may include: the scale and growth rate of charter capital; the increase in total equity; the internal capital generation capacity through retained earnings; the scale and growth rate of customer deposits; and the Deposit to Total Assets (DTA) ratio,

which reflects the bank's reliance on deposits for funding its assets. Qualitatively, capital stability can further be assessed through maturity structures, the proportion of low-cost funding (CASA), or deposit volatility levels.

The roles of this group in financial capacity are illustrated as follows: a well-capitalized bank reduces pressure on the cost of funds, enhances resilience against interest rate fluctuations, and creates room for growth in earning assets without compromising safety. Conversely, a thin capital base and unstable funding often lead to "price-driven growth" strategies (interest rate and credit races), making financial capacity easy to erosion when the market cycle reverses.

(2) Group of criteria reflecting capital allocation and utilization

This group of criteria addresses the question: How does the bank utilize its capital, and how efficient, rational, and balanced is its asset structure? Since a bank's assets are primarily financial instruments, its financial capacity is directly impacted by allocation decisions regarding credit, investments, liquidity reserves, and other earning assets.

Key indicators are typically expressed across three dimensions. First is the scale and growth momentum of outstanding loans, reflecting the orientation toward expanding core earning assets. Second is the credit intensity within the asset structure, often measured by the Loan to Total Assets (LTA) ratio, which assesses the level of credit dependency (higher LTA, greater sensitivity to credit and liquidity risks). Third is the balance between funding and utilization, where the Loan to Deposit Ratio (LDR) is a common proxy for reflecting the conversion of deposits into loans and the resulting liquidity pressure. Additionally, studies often incorporate the Earning Assets to Total Assets (EATA) ratio to demonstrate the degree of income-generated asset optimization.

Conceptually, this group of criteria measures both growth and its quality. Rapid loan growth and a high LDR may improve short-term profitability; however, if that growth is accompanied by maturity mismatches, risk concentration, or relaxed credit standards, financial capacity will weaken as non-performing loans (NPLs) rise and liquidity tightens. Hence, this group of criteria

should be assessed alongside financial safety and operational efficiency to avoid misconceptions arising from surface-level indicators.

(3) Group of criteria reflecting financial safety levels

This group of criteria addresses the question: Does the bank possess sufficient buffers to absorb losses and maintain market confidence? This group of criteria is decisive for financial capacity, given that banking is a high-risk industry with the potential for systemic contagion.

The group is assessed through three pillars. First is capital adequacy, reflecting loss-absorption capacity, commonly measured by indicators such as ETA (Equity to Total Assets) and CAR (Capital Adequacy Ratio based on risk-weighted assets). Second is asset quality and credit risk, usually evaluated through the NPL ratio, loan loss provisioning levels, and the NPL coverage ratio, which indicate risk accumulation and loss absorption capacity. Third is liquidity safety, reflecting the ability to meet payment obligations and withstand large-scale deposit withdrawals; besides traditional liquidity ratios, one may use liquidity reserve measures, maturity mismatches (such as the ratio of short-term funds used for medium- and long-term loans), or deposit stability metrics.

This group is crucial for financial capacity because financial safety provides the bedrock for all growth and efficiency objectives. Insufficient capital and liquidity buffers can force a bank to curtail growth, increase provisioning, or incur higher funding costs, thereby weakening its financial capacity through a chain reaction. Conversely, robust safety standards will reduce long-term funding costs, enhance credibility, and create room for investment in innovation.

(4) Group of criteria reflecting operational efficiency

This group addresses the question: To what extent does the bank generate high-quality, sustainable profits? Operational efficiency serves as the output of financial capacity and acts as the source of internal capital generation to bolster capital, increase provisions, and fund long-term investments.

Core indicators typically include ROA (Return on Assets), ROE (Return on Equity), NIM (Net Interest Margin), and metrics reflecting income structure,

such as the share of non-interest income in total operating income. In modern assessment, efficiency is more than absolute profit; rather, it is also related to the cost of risk and income stability. The financial capacity of a bank with high ROE driven by high leverage or loosened credit standards may be unsustainable. Conversely, moderate but stable ROA/ROE, diversified income streams, and well-controlled risk costs often lead to higher-quality financial capacity.

Particularly for the listed banking group, operational efficiency is also tied to transparency requirements and market expectations: sustainable profitability, high earnings quality, and stringent risk management form the foundation for maintaining valuation, facilitating capital increases, and reducing the cost of funds, which in turn reinforces financial capacity.

Interconnectivity among indicator groups: these groups operate as a causal chain within financial capacity. A solid capital base reduces funding costs and supports safe expansion; efficient allocation enhances earnings assets without excessive risk; financial safety shields the bank against shocks and maintains market confidence; and operational efficiency generates internal resources to reinforce capital and long-term investment. Consequently, a true assessment of financial capacity must be holistic and balanced: growth aligns with safety; safety supports efficiency; and efficiency is sustainable and risk-adjusted.

The need to enhance the financial capacity of CBs stems from both micro and macro perspectives. At the bank level, strong financial capacity helps maintain depositor confidence, improve credit ratings, lower funding costs, and enhance resilience to shocks. It is a prerequisite for technology investment, service diversification, and safe expansion. At the systemic level, individual banks' financial capacity contributes to national financial stability, mitigates risk spillovers, and improves the efficiency of resource allocation in the economy.

Moreover, financial capacity is influenced by both objective and subjective factors. Objective factors include the macroeconomic environment, interest rates, inflation, credit cycles, the legal and supervisory framework, competitive intensity, and market confidence, which directly impact deposit

growth, credit quality, funding costs, and risk-adjusted profitability. Subjective factors encompass capital strategy, balance sheet structure, risk management capacity, corporate governance quality, data capabilities and digital transformation, and cost management efficiency, which determines the growth quality and sustainability of financial capacity. Indeed, within the same macroeconomic context, banks may exhibit vastly different financial strengths due to disparities in their governance and management capabilities.

1.3. International Experience in Enhancing Financial Capacity and Lessons for Vietnam

International experience indicates that enhancing the CBs financial capacity requires a synchronized approach, closely aligned with increasingly stringent risk management and capital adequacy standards. Advanced banking systems typically emphasize stronger capital quality, standardized liquidity management, stricter risk governance, and operational efficiency through income diversification. Notably, the Basel II/III framework emphasizes improving capital quality, risk-weighted capital management, bolstering liquidity resilience, and increasing transparency, thereby enabling banks to navigate market shocks better.

Regarding capital formation, many countries prioritize high-quality capital increases and the maintenance of medium- to long-term capital strategies. This involves a combination of boosting capital through retained earnings and raising funds through capital markets. Such an approach aims to enhance the substantive capital buffer rather than merely expanding the nominal scale, while simultaneously alleviating the pressure of excessive credit growth.

Regarding capital allocation and utilization, international experience emphasizes Asset and Liability Management (ALM) discipline, centralization risk control, and portfolio limits aligned with risk appetite. Tools such as early warning systems, loan classification, and portfolio restructuring are proactively implemented to mitigate risk accumulation during rapid growth periods.

In terms of financial soundness, the prevailing global trend is the simultaneous integration of capital management, asset quality, and liquidity. This involves applying stress testing, capital buffers, and counter-cyclical provisioning mechanisms to ensure that banks have the loss-absorption capacity required when market conditions deteriorate.

Regarding operational efficiency, international banks focus on enhancing productivity and cost reduction through digitalization, while increasing the proportion of non-interest income to reduce reliance on traditional interest margins. However, the core principle is to avoid sacrificing long-term stability for short-term efficiency by relaxation of credit standards or excessive leverage.

These experiences offer key lessons for listed joint-stock CBs in Vietnam: (i) developing sustainable capital strategies aligned growth objectives with substantive capital capacity; (ii) strengthening balance sheet management discipline, reducing concentration risk, and enhancing risk pricing capabilities; (iii) reinforcing financial soundness governance aligned with international standards via proactive provisioning and liquidity management; and (iv) improving operational efficiency via higher-quality earnings, diversifying revenue streams, and using digital to optimize costs. These lessons provide the basis for the subsequent chapter to evaluate the current state of financial capacity systematically and for the final chapter to propose appropriate solutions.

CHAPTER 2: THE CURRENT STATE OF FINANCIAL CAPACITY OF LISTED JOINT-STOCK COMMERCIAL BANKS IN VIETNAM

2.1. AN OVERVIEW OF THE LISTED JOINT-STOCK COMMERCIAL BANKING SYSTEM IN VIETNAM

2.1.1. History of formation and development

The listed joint-stock CBs clearly reflect the transformation of the Vietnamese banking system towards expanding scale, strengthening the capital base, modernizing governance, and integrating with international standards, thereby gradually developing greater adaptability to the requirements of transparency, market discipline, and competitive pressure. In a broader sense,

this development process is a shift from a state of small scale and limited capacity to a large network, strong capital, and modern governance, laying the foundation for assessing financial capacity using the indicator groups in section 2.2.

2.1.2. Structure and characteristics of listed joint-stock commercial banks in Vietnam

As of the end of 2024, the listed joint-stock commercial banking sector comprises 27 banks listed on the stock market, playing a dominant role in the banking system and accounting for approximately 70–75% of total system assets. A key feature of this sector is the clear stratification by size and level of development, creating significant differences in capital generation capacity, growth strategies, risk appetite, and business efficiency. Therefore, Chapter 2 adopts an analytical approach based on bank groups by charter capital size to clarify the degree of financial capacity differentiation among these groups.

Based on charter capital statistics as of the end of 2024, the system is categorized into three groups based on capital thresholds, which also correspond to three typical market positions: (i) the market leaders, (ii) the dynamic growth group, and (iii) the niche players. (1) Group 1 – Large-cap Banks (Charter capital > VND 50 trillion): This group consists of 06 banks, primarily market leaders, including: VPB, TCB, BID, VCB, CTG, and MBB. (2) Group 2 – Mid-cap Banks (Charter capital from VND 20 to under VND 50 trillion): This group comprises 09 banks, characterized by rapid capital increases, market share expansion, and operational efficiency improvements to compete with the leading group. These include: ACB, SHB, HDB, VIB, SSB, TPB, MSB, LPB, and OCB. (3) Group 3 – Small-cap Banks (Charter capital < VND 20 trillion): This group includes 12 banks currently in the process of raising capital to improve financial capacity. While they possess growth potential, they face greater challenges in capital mobilization and market share expansion. These include STB, EIB, NAB, NVB, ABB, BAB, BVB, VAB, PGB, KLB, and SGB.

2.2. CURRENT STATUS OF FINANCIAL RESOURCES OF LISTED COMMERCIAL BANKS IN VIETNAM

2.2.1. Capital Mobilization Capacity Criteria Group

The criteria are quantified through core indicators such as charter capital and growth rate, total deposit balance and growth rate, and DTA ratio, to reflect the thickness of the capital base, the attractiveness of capital to customers, and the sustainability of the capital structure.

The charter capital of listed joint-stock CBs increased sharply from 260,604 (2015) to 770,463 (2024), an increase of 509,859, or +195.6%. This trend of strengthening core capital directly enhances financial capacity by increasing capital safety margins and risk resilience, creating a foundation for sustainable operational expansion.

The total deposit balance of the entire system increased from VND 3,367,412 billion in 2015 to VND 11,135,575 billion in 2024, an increase of VND 7,768,163 billion over ten years. In terms of scale, total deposits in 2024 are approximately 3.31 times higher than in 2015; on an average annual growth rate basis, the increase reached approximately 14.2%/year.

DTA peaked at 72.26% in 2016, then declined to 69.15% in 2017, and recovered slightly during 2018-2020, reaching 72.21% in 2020. From 2021 onwards, it decreased more sharply to 68.60% (2021), 64.93% (2022), then rose slightly to 66.95% (2023), and further decreased to 64.75% (2024). A high DTA reflects a strong funding base and liquidity support, a crucial component of financial capacity. The slight downward trend towards the end of the period suggests that total asset growth outpaces funding, underscoring the need for a more balanced management to maintain stable financial capacity.

2.2.2. Capital Allocation and Utilization Criteria Group

This criteria group reflects the level of proactivity in growth strategy, asset structure, and risk appetite. The indicators used include: (i) total outstanding loans and loan growth rate; (ii) LTA; (iii) LDR; and (iv) EATA.

Data shows that total outstanding loans and their growth rate surged from VND 2,875,297 billion (2015) to VND 11,645,424 billion (2024), with an average annual growth of approximately 17.82%. While the expansion of credit

scale helps increase earning assets and contributes directly to financial capacity, it also demands rigorous risk discipline to prevent asset quality deterioration during periods of rapid growth.

The LTA remained generally stable between 56% and 63%, indicating that banks prioritize credit (the core profit-generating channel) while maintaining headroom for liquidity and other operations. LTA of around 60% implies a balance between profitability objectives and safety requirements, contributing to long-term stable financial capacity.

The LDR fluctuated between 85% and 104%, reflecting a trend of intensive capital utilization for lending. A rising LDR indicates that credit growth has outpaced deposit growth, thereby increasing the demand for liquidity management to ensure financial stability.

The EATA (Earning Assets/Total Assets) saw a steady improvement, increasing from 88.6% (2015) to 92.5% (2024). This upward trend demonstrates an optimized asset structure designed to maximize profitability. By focusing on income-generating assets, banks have strengthened their financial performance and expanded their capacity for reinvestment and growth.

2.2.3. Financial Soundness Criteria Group

This criteria group is a prerequisite for maintaining public confidence and loss-absorption capacity. In this thesis, this group is quantified through indicators reflecting capital buffers (such as ETA and CAR), asset quality (NPLs and loan loss provisions), and liquidity/funding stability (liquidity reserves, the ratio of short-term funds used for medium-to-long-term loans, the deposit insurance coverage ratio, and the deposit volatility index, etc.). These indicators are integrated to provide a comprehensive assessment of a bank's risk resilience.

The ETA ratio increased from 7.35% (2015) to 8.71% (2024), peaking at 8.81% in 2023, reflecting a thicker capital buffer and higher financial autonomy. This improvement reinforces financial capacity by enhancing loss-absorption capabilities and reducing dependence on external funding.

The average CAR of the system decreased slightly but remained stable, moving from 14.26% (2015) to 12.04% (2024) and fluctuating mostly around the 11%–12% range in the later period. Maintaining the CAR above the regulatory minimum reinforces financial capacity through capital discipline, enhancing risk resilience and market confidence.

The average NPL ratio remained within the controlled zone: approximately 1.6%–1.8% during 2015–2017, falling to a low of 1.28% (2020) before rising to 1.73% (2023) and 1.78% (2024). A rising NPL ratio weakens financial capacity by reducing income, increasing provisioning costs, and exerting pressure on capital.

The Provision Coverage Ratio (PCR) (specifically, the loan loss provision to total outstanding loans ratio) fluctuated according to the risk cycle: around 1.2%–1.3% during 2015–2017, increasing to 1.43% (2020) and 1.68% (2021), then decreasing to 1.25% (2022–2023) before surging to 1.77% (2024). The PCR reflects the provision buffer; adequate provisioning ensures more sustainable financial capacity, although it may reduce short-term profits.

The liquidity reserve ratio showed significant improvement: from 11.95% (2015) to 18.06% (2024), with a period average of 14.53%. The increase in liquidity reserves strengthens financial capacity by enhancing solvency and mitigating the risk of liquidity disruptions during market volatility.

The average ratio of short-term funds used for medium- to long-term loans across the groups is approximately 33.0% (high-capital group), 32.1% (medium-capital group), and 36.5% (low-capital group). Meanwhile, the regulatory ceiling was gradually tightened from 60% (pre-2017) to 50% (2017), 45% (2018), and 40% (since 2019). This indicator is closely linked to financial capacity as it reflects the extent of maturity mismatch; a higher ratio increases liquidity risk and capital pressure when the economic cycle reverses.

The Deposit Coverage Ratio (DCR) rose from 15.55% (2015) to 25.46% (2024), indicating that liquidity reserves now cover deposits more effectively. A

high DCR supports financial capacity by enhancing the ability to meet withdrawal demands and mitigating funding risks during periods of stress.

The Deposit Volatility Index (DVI) stood at 18.40% in 2015 and 18.69% in 2016, then declined to 13.74% in 2017 and 11.57% in 2018. From 2019 to 2022, it remained relatively low at 13.08%, 12.72%, 9.99%, and 10.16%, respectively. In 2023, the DVI climbed to 16.89% before decreasing to 12.56% in 2024. A higher DVI indicates greater funding stability risk, forcing banks to increase their liquidity buffers, thereby directly impacting financial capacity.

2.2.4. Operational Efficiency Criteria Group

The criteria are quantified by indicators such as: after-tax profit growth rate, ROA, ROE, NIM, and the proportion of non-interest income to total operating income. These indicators allow for the assessment of asset/capital utilization efficiency, income quality, and the sustainability of business results.

The after-tax profit growth rate reflects internal accumulation capacity, a key foundation of financial capacity: the total after-tax profit of 27 listed joint-stock CBs increased from VND 29,785 billion (2015) to VND 238,378 billion (2024) (around eightfold), with an average growth of about 24.1%/year; in 2023 it slowed down to 3.29% and then recovered to 17.74% in 2024.

ROA and ROE reflect the efficiency of asset/capital utilization and the ability to convert financial resources into profits, the core of financial capacity: ROA increased from 0.69% (2015) to a peak of 1.66% (2022) and then maintained at 1.50% (2024); ROE increased from 9.02% (2015) to 19.96% (2022) and adjusted to 17.09% (2024), implying improved efficiency but still sensitive to the cost of capital and risk cycles.

NIM reflects the strength of core income and the ability to control the cost of capital, thereby determining the stability of financial capacity. The average NIM across the system fluctuated between 3.02% and 3.97%, indicating relatively stable interest income but limited room for further margin expansion amid increasing deposit competition.

The proportion of non-interest income to total operating income reflects the degree of diversification of revenue sources. This factor sustains financial capacity when credit conditions fluctuate: it increased from 7.48% (2015) to 11.99% (2021) and then decreased to 9.41% (2024), indicating that the shift to a service model has occurred but has not yet stabilized by the end of the period.

2.3. ASSESSMENT OF THE CURRENT STATUS OF FINANCIAL CAPACITY OF VIETNAMESE LISTED COMMERCIAL BANKS

2.3.1. Achieved Results

During the 2015–2024 period, the listed joint-stock CBs generally strengthened their financial capacity across four core dimensions. First, capital formation capacity improved through increases in equity capital and expanded funding sources, enhancing capital structural depth and resource autonomy. Second, capital allocation and utilization increasingly support earning assets while balancing growth with safety objectives. Third, financial soundness was reinforced by strengthening capital buffers and provisioning, liquidity management, and funding stability, enhancing resilience against market volatility. Fourth, operational efficiency showed an upward trend, reflected in improved profitability and better internal capital accumulation, alongside efforts to diversify revenue streams and control costs. These factors laid the foundation for the sustainable development of financial capacity.

2.3.2. Limitations and their causes

Despite improvements in the financial capacity of the sector, notable limitations persist across all four dimensions.

On capital formation, some banks' capital bases have not kept pace with their operational expansion. Uneven capital quality and internal accumulation capacity lead to differences in loss-absorption capabilities and in compliance with higher prudential standards, particularly among smaller-scale banks.

On capital allocation and use, banks remain heavily reliant on credit as their primary income source, with limited portfolio diversification and restricted discipline aligned with risk appetite. In certain periods, rapid credit growth may

exert pressure on asset quality and the balance between funding and lending, potentially increasing concentration and maturity risks if not strictly controlled.

Financial soundness shows clear divergence in risk management and the safety buffers (capital, provisioning, and liquidity) among banks. Indicators suggest a rising trend in credit risk toward the end of the period, with inconsistent risk coverage. Additionally, liquidity risk and maturity mismatches remain sensitive, especially for banks heavily dependent on deposits and limited funding diversification.

Although profitability has improved, it faces headwinds from rising funding costs, deposit competition, and digital transformation investments. Non-interest income has increased but remains volatile, limiting earnings quality and cyclical resilience for some banks.

These limitations indicate that while the financial capacity of the listed sector has grown, it remains uneven and lacks sustainability, necessitating more synchronized and comprehensive solutions in the next period.

The financial capacity limitations of these banks stem from both objective and subjective factors. Objectively, macroeconomic volatilities and interest rate cycles increase funding costs, narrow profit margins, and raise credit risk; industry competition (including FinTech) adds pressure on fundraising and technology investment; and increasingly stringent legal and supervisory frameworks (capital adequacy standards, liquidity, provisioning, transparency requirements) increase compliance costs. Subjectively, the differentiation in capital base, business models, and management capacity among banks is the core reason: some banks rely heavily on credit and deposits, failing to diversify their capital and revenue sources; asset management, capital management, and risk management (especially liquidity and concentration risk management) are uneven. Data quality, risk measurement systems, and internal control remain constrained; digital transformation focuses more on infrastructure investment rather than on operational restructuring, limiting short-term gains.

CHAPTER 3. SOLUTIONS TO IMPROVE THE FINANCIAL CAPACITY OF LISTED COMMERCIAL BANKS IN VIETNAM

3.1. ORIENTATIONS FOR ENHANCING THE FINANCIAL CAPACITY OF LISTED JOINT-STOCK COMMERCIAL BANKS BY 2030

3.1.1. Development orientation of Vietnam's commercial banking system until 2030

In the context of cyclical fluctuations and increasingly rapid risk propagation, the development orientation of the commercial banking system emphasizes the need to strengthen the financial foundation in a counter-cyclical manner, increase forecasting and early warning capabilities, and raise governance standards to reduce accumulated risk. Simultaneously, this orientation listed joint-stock CBs as leaders in market discipline: greater transparency, better governance, and greater resilience in adverse scenarios.

3.1.2. Orientation towards improving the financial capacity of listed commercial banks.

3.1.2.1. Framework for enhancing financial capacity

Chapter 3 proposes a framework for enhancing financial capacity that ensures both rationality and relevance to conditions and implementation implications, highlighting the need for a combination of: competition and safety, efficiency and income quality, growth and risk discipline, digital transformation and transparency, while acknowledging systemic differentiation (a single policy can create different effects among different groups of banks).

Core perspectives are implemented based on the logic: 'Financial capacity is the foundation of sustainable competitive advantage.' To compete effectively, a bank must possess a sufficiently strong capital base, stable funding, and robust risk-absorption capacity. Competition should not be equated with growth at any cost, thereby avoiding interest rate and credit races. Financial capacity must also be linked to performance and earnings quality: high-quality profits support internal capital accumulation, increase equity, boost provisioning, and fund long-

term investment. Consequently, the focus must shift toward risk-adjusted performance and the sustainable diversification of noninterest income.

Regarding digital transformation, this chapter views digitalization as a restructuring of operations and a shift to data-driven governance, while transparency is a prerequisite for reducing information asymmetry and lowering the cost of funds. Superficial digitalization can erode efficiency and escalate technological risks in the absence of robust data governance and cybersecurity. Thus, digitalization must be accompanied by management discipline and the standardization of information disclosure aligned with market benchmarks.

The perspective on systemic divergence emphasizes that, due to differences in scale, capital foundations, customer structures, and management capabilities, a tiered approach with an appropriate roadmap is necessary to address specific bottlenecks. However, this does not imply exceptions; there must be clear criteria, timelines, and rigorous supervision to ensure the ultimate unified goals of safety and transparency.

3.1.2.2. Overall and specific goals for 2030

The general objective toward 2030 is to enhance the financial capacity of listed joint-stock CBs toward a model of safety, sustainability, and efficiency. This objective ensures the capacity to generate stable financial resources, maintain resilience against macroeconomic fluctuations and market shocks, and improve the quality and sustainability of earnings based on a foundation of modern governance, transparency, and substantive digital transformation.

Specific objectives are operationalized across the core pillars of financial capacity, focusing on: (i) Capital quality and risk-absorption capacity: strengthening active capital, enhancing the quality of Tier 1 and Tier 2 capital, and increasing internal capital accumulation linked to earnings quality; (ii) Funding stability: reducing reliance on interest rate competition, expanding the low-cost funding base through digitalization and service ecosystems, and diversifying funding sources with a focus on accessing medium to long term capital; (iii) Asset quality and capital allocation discipline: achieving credit

growth based on cash flow analysis, reducing risk concentration, enhancing the effectiveness of appraisal, monitoring, and recovery processes, while minimizing new NPLs and improving the resolution capacity for distressed assets.

The framework for the 2030 roadmap is based on a consistent national policy on the Fourth Industrial Revolution and digital transformation, creating a policy framework for banks to consider digitalization as an endogenous component of financial capacity (simultaneously impacting customer base, capital base, costs, transparency, and risk management).

3.2. SOLUTIONS TO IMPROVE THE FINANCIAL CAPACITY OF LISTED COMMERCIAL BANKS IN VIETNAM

3.2.1. Capital Formation Solutions Group

The group aims to strengthen the input side of financial capacity by increasing the scale, quality and stability of funding sources. It focuses on improving equity and capital quality, diversifying capital-raising instruments and channels aligned with listing traits, stabilizing low-cost funding bases, and managing funding cost and risks, improving access to capital markets in general.

In terms of implementation logic, banks are required to proactively plan capital on a medium-term basis and tightly link growth plans with capital capacity, profitability, and cyclical fluctuations, while using high-quality profits as a source of internal capital accumulation to reinforce equity and increase safety buffers. For mobilized funds, the focus is enhancing the funding base's quality through digitalization, service ecosystems, and a stable customer base, reducing funding cost volatility and improving resilience.

3.2.2. Capital Allocation and Utilization Solutions Group

This solutions group emphasizes credit growth discipline aligned with risk appetite and capital efficiency. It focuses on restructuring the earning asset portfolio to mitigate risk concentration, standardizing risk-based pricing and internal capital allocation, and synchronizing capital utilization metrics with economic cycles and balancing objectives. Furthermore, it aims to enhance capital efficiency in non-credit activities.

In essence, financial capacity does not depend on linear expansion of earning assets; rather, it is decisively determined by the quality of growth and the balance between funding and capital utilization across different market phases. Therefore, portfolio discipline, ALM, and risk-based pricing must precede or accompany growth. Otherwise, cyclical optimization may increase risk sensitivity and weaken financial capacity when the cycle reverses.

3.2.3. Financial Soundness Enhancement Solutions Group

This group focuses on reinforcing capital adequacy through a countercyclical approach and disciplined profit distribution; improving asset quality and NPL resolution; and enhancing provisioning effectiveness and risk cost management, strengthening liquidity and maturity mismatch control via ALM and stress testing, stabilizing the deposit base, and managing contagion and confidence risks, while integrating emerging risks(technology, operational, market) and climate-related risks.

Among these, countercyclical capital strengthening is central, as risks accumulate with a lag; maintaining capital close to minimum thresholds exposes banks to capital erosion during downturns (via rising NPLs, higher provisions, and declining income). Accordingly, banks should implement scenario-based capital management and stress testing with clear intervention thresholds and capital contingency plans, while ensuring dividend policy discipline remains aligned with capital adequacy and cyclical provisioning objectives.

3.2.4. Operational Efficiency Improvement Solutions

This group aims to improve profit quality and risk-adjusted efficiency, stabilize NIM by bettering the asset-capital-valuation structure, increase sustainable non-interest income, optimize costs and productivity through genuine digitalization, and enhance transparency and governance to reduce capital costs and increase efficiency.

The key shift is from short-term profit maximization to stable, transparent, and risk-aligned profit quality, as profit is also an internal source of capital accumulation, reserve growth, and long-term investment. Thus, operational

efficiency is the ability to transform resources into sustainable financial results, driven by profit margin management, income diversification, and cost control.

3.2.5. Roadmap, Implementation Guarantee Conditions, and Monitoring and Evaluation Mechanisms

The thesis also establishes a group of implementation guarantee conditions and monitoring and evaluation mechanisms, including: a phased and prioritized roadmap; technology, data, and human resources and change management; internal coordination and internal control mechanisms; and a set of KPIs based on four pillars of financial capacity with a periodic review mechanism that triggers early action.

Regarding the measurement mechanism, the KPIs must be linked to both performance and leadership indicators, with quarterly and annual reviews linked to stress testing and reassessment of risk appetite; KPIs for each pillar focus on capital quality - source stability - cost of capital; credit growth quality - risk concentration - risk adjusted capital efficiency; capital resilience - provisions - liquidity - stress testing effectiveness; and profit quality - income structure - cost efficiency - productivity - transparency and governance.

3.3. SOME RECOMMENDATIONS

3.3.1. Petition to the government

3.3.2. Recommendations to the Ministries and Departments

CONCLUSION

Enhancing the financial capacity of listed joint-stock CBs in Vietnam is crucial amid ongoing banking system restructuring, stricter safety standards, accelerated digital transformation, and the growing influence of the capital market. To develop a framework for evaluating and analyzing the current situation and proposing solutions to improve the financial capacity of these banks, this thesis has focused on addressing the research questions posed and achieved the following key results.

Regarding the first research question, the thesis systematized and clarified the theoretical basis of the financial capacity of CBs and established a framework

for evaluating financial capacity suitable for the research subject, which is listed joint-stock CBs in Vietnam.

Regarding the second research question, the results of data analysis of 27 listed joint-stock CBs in the period 2015–2024 show that the financial capacity of the research group of banks has improved significantly in many aspects.

Regarding the third research question, the thesis has identified the achievements, main limitations, and causes of these limitations in the financial capacity of listed joint-stock CBs in Vietnam.

For the fourth research question, based on the banking system's development orientation until 2030 and the assessment of the current situation, the thesis proposes a set of solutions to improve the financial capacity of listed joint-stock CBs in Vietnam.

It can be affirmed that the thesis has fundamentally achieved its research objectives. Theoretically, the thesis contributes to supplementing and clarifying the understanding of CBs' financial capacity and to concretizing the framework for assessing the financial capacity of listed joint-stock CBs in the Vietnamese context. In practice, it provides a relatively comprehensive picture of the financial capacity of listed joint-stock CBs during the 2015–2024 period, clarifies the relative differentiation among banks across charter capital size, and proposes valuable solutions and recommendations for banks and regulators.

Despite achieving certain results, the thesis still has some limitations. The research scope focuses on listed joint-stock CBs in Vietnam and mainly relies on publicly available secondary data from audited annual financial statements, annual reports, and official bank publications. The thesis also does not develop a single composite index to rank each bank's financial capacity but instead approaches financial capacity as a set of component criteria to better reflect its various aspects. This is a promising direction for further research, particularly by expanding the scope, adding more in-depth data, or developing comprehensive measures of bank financial capacity.

LIST OF RESEARCH WORKS OF THE RESEARCH STUDENT DURING THE THESIS PERIOD

1. Pham Thi Phuong Thao (2025), “Improving the capital mobilization capacity of listed joint-stock commercial banks in Vietnam”, Finance Magazine, Issue 1+2, February 2025, 87-90

2. Pham Thi Phuong Thao (2025), “Improving the financial capacity of listed joint-stock commercial banks in Vietnam through meeting the borrowing needs of customers”, Economics and Forecasting Magazine, No. 3, February 2025, 63-66

3. Pham Thi Phuong Thao (2025), “Improving the equity capital creation capacity of listed joint-stock commercial banks”, Finance Magazine, Issue 1, March 2025, 113-118