



Solutions to enhance financial capacity at Nam a Commercial Joint Stock Bank

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Abstract

This study focuses on assessing the financial capacity of a commercial bank through key indicator groups related to capital, income, profitability, asset quality, and liquidity, using Nam A Commercial Joint Stock Bank (Nam A Bank) as a case study. Based on an analysis and comparison of Nam A Bank's financial capacity with several peer joint-stock commercial banks of similar size during the period 2019 - 2024, the study identifies both the strengths and weaknesses of Nam A Bank's financial performance. The results indicate that Nam A Bank has recorded notable improvements, particularly in capital adequacy, profitability efficiency, and asset quality. However, the bank continues to face several constraints, including relatively limited capital scale compared with competitors, high dependence on credit activities, cost efficiency challenges, liquidity reserve levels, and especially interest rate risk. These findings provide an important foundation for proposing solutions to enhance Nam A Bank's financial capacity in the context of digital transformation.

Keywords: Financial capacity, commercial bank, nam A bank

Introduction

Vietnam has emerged from the difficult period of 2023–2024, during which cash hoarding increased and many enterprises faced dissolution risks; nevertheless, the lingering effects of these fluctuations remain evident in 2025. Credit growth for 2025 is projected to reach 15–16%, reflecting a positive recovery trend in credit flows across the economy. However, this growth is accompanied by pressing requirements for banks to maintain a balance between expansion and risk control, particularly in directing capital toward priority sectors such as manufacturing, high technology, and green finance. Amid ongoing volatility in interest rates and exchange rates, as well as rising demands for technological innovation, accurate evaluation of bank performance using analytical frameworks has become increasingly necessary to ensure the safety, efficiency, and sustainability of the banking system.

Nam A Bank is a mid-sized joint-stock commercial bank in Vietnam, established in 1992. Over more than 32 years of operation, the bank has developed a nationwide network of nearly 250 transaction points and has significantly expanded its retail banking, digital banking, and trade finance services. In recent years, Nam A Bank has accelerated its digital transformation by implementing Open Banking, developing international credit cards, and collaborating with various FinTech companies to enhance customer experience. Nevertheless, alongside these achievements, the bank continues to face several challenges, including the need to increase charter capital to meet Basel II/III requirements, controlling non-performing loans amid macroeconomic volatility, improving profitability efficiency, and strengthening competitiveness against larger banks.

Therefore, a comprehensive assessment of Nam A Bank's financial capacity and operational efficiency in the current period is not only essential for an objective understanding of its financial condition, safety level, and potential risks, but also serves as a prerequisite for proposing solutions to enhance financial capacity in line with international risk management standards and sustainable development strategies.

Literature Review and Research Methodology

1. Literature Review

McAleer *et al.* (2021) [4] analyzed the safety of Vietnamese banks during 2014–2017 using the CAMEL model (excluding the “S” factor). Their results indicate that many banks maintained high capital adequacy ratios but faced challenges related to non-performing loans and profitability efficiency. The study emphasizes the necessity of incorporating the “S - Sensitivity” component and Basel II/III standards to improve model accuracy.

Misra (2012) [5] applied the CAMEL framework to evaluate the performance of Indian public sector banks. The study found that although capital and liquidity met minimum requirements, profitability remained low due to high operating costs, implying that “M - Management” and “E - Earnings” play crucial roles in strengthening bank financial capacity.

Tran Minh Hieu and Nguyen Phuong Linh (2022) examined Vietcombank during 2017 - 2021, finding that the bank maintained strong equity capital, effective governance, and superior profitability, while still facing substantial pressure from Basel II compliance and market competition. However, their study did not incorporate the Sensitivity (S) indicator, and thus did not fully capture the effects of interest rate risk, exchange rate risk, and foreign exchange exposure.

Finally, Pham Van Cuong *et al.* (2023) combined the CAMELS framework with Basel II standards, incorporating liquidity indicators such as LCR and NSFR to assess banking financial risk. Their findings reveal that many Vietnamese banks have yet to fully meet international standards for capital and liquidity, highlighting the need for deeper research under evolving conditions.

Overall, the review suggests that using the CAMELS model to evaluate banking performance and financial capacity is appropriate. However, existing studies still exhibit gaps, particularly the insufficient integration of the Sensitivity (S) factor under Basel II/III and the lack of peer benchmarking to position banks within comparable market segments.

2. Research Methodology

The study utilizes secondary data collected from internal banking websites, the State Bank of Vietnam, and other official sources to evaluate Nam A Bank's financial capacity and compare it with other joint-stock commercial banks. This approach helps identify indicators requiring improvement as well as Nam A Bank's key strengths.

In addition, a deductive reasoning method is employed to interpret and explain the characteristics of each indicator during data analysis, thereby formulating solutions that capitalize on strengths and address weaknesses, with the aim of enhancing Nam A Bank's financial capacity in the future.

Current Financial Capacity of Nam A Bank

In this study, a peer comparison group comprising TPB, MSB, SSB, OCB, and EIB is selected due to their close similarity to Nam A Bank. First, all are mid-sized joint-stock commercial banks operating within the same market

segment, with strategic orientations toward retail banking, personal lending, and SME financing similar to Nam A Bank's direction during 2019 - 2024. Second, these banks exhibit comparable growth rates in assets, outstanding loans, deposits, and profits, reflecting direct competition within the mid-sized banking segment. Third, all six banks have actively pursued digital transformation, diversified products and services, and increased the share of non-interest income to improve operational efficiency. Moreover, all banks in the group meet Basel II capital safety standards and are progressing toward Basel III, aligning with objectives to enhance financial capacity, risk management, and market expansion. These shared characteristics make the selected peer group an appropriate benchmark for evaluating Nam A Bank's financial position and capacity.

1. Capital Adequacy Indicators (Capital)

Table 1. Equity Capital of Nam A Bank and Peer Banks
Unit: VND billion

Banks	2019	2020	2021	2022	2023	2024
TPB	13.075	16.744	25.987	32.239	32.743	37.594
MSB	14.864	16.875	22.038	26.654	31.298	36.818
SSB	10.926	13.670	18.663	26.232	30.297	35.003
OCB	11.507	17.435	21.805	25.272	28.536	31.671
NAB	4.960	6.599	8.025	12.650	15.242	19.289
EIB	15.749	16.819	17.785	20.480	22.445	25.099

(Source: Financial Statements of Commercial Banks)

During the 2019–2024 period, Nam A Bank's equity capital increased sharply from VND 4,960 billion to VND 19,289 billion, representing nearly a fourfold increase and the highest growth rate among banks of comparable size. Although starting from a lower capital base than peers such as TPB, MSB, and OCB, Nam A Bank's outstanding capital expansion has significantly narrowed the gap with the mid-sized banking group, particularly during 2022–2024, when the bank actively increased its charter capital and accumulated retained earnings.

Within the peer group, by 2024, banks such as MSB, SSB, OCB, and TPB recorded equity capital levels ranging from VND 30,000 to 38,000 billion, which remain higher than

Nam A Bank's, albeit with slower growth rates. In contrast, EIB and several other banks experienced only modest increases in equity capital. This indicates that Nam A Bank is in a catch-up phase, expanding its capital base at a much faster pace than its peers.

The strong increase in equity capital has enhanced Nam A Bank's risk-bearing capacity, improved its capital adequacy ratio (CAR), and created greater room for business expansion in compliance with Basel II standards and toward Basel III. Moreover, a larger capital base is a crucial prerequisite for the bank's strategy to expand market share and advance toward becoming one of the top 15 largest banks in the coming years.

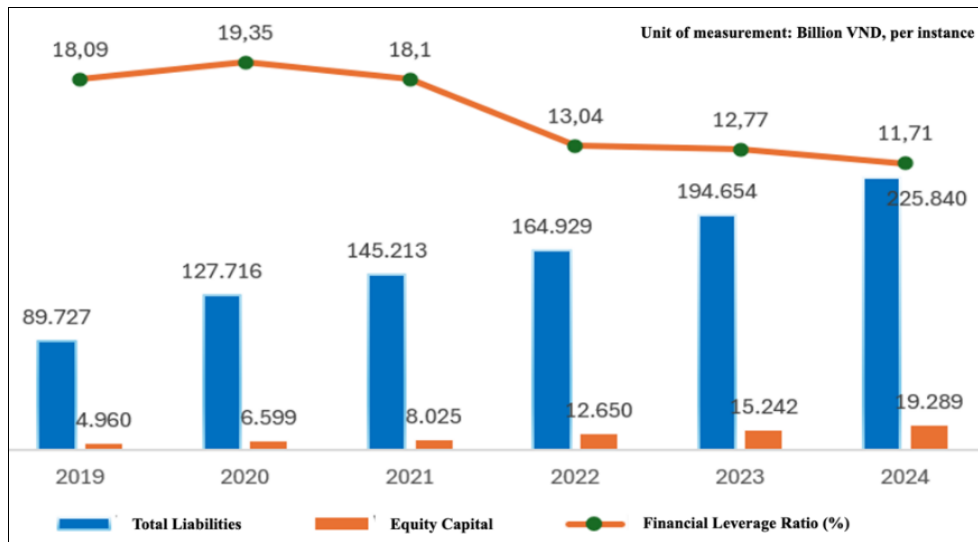
Table 2: Capital Adequacy Ratio (CAR) of Commercial Banks (%)

Banks	2019	2020	2021	2022	2023	2024
TPB	10,69	12,95	13,39	12,60	12,42	13,20
MSB	10,25	10,56	11,52	12,31	12,76	12,39
SSB	16,73	11,50	11,68	14,66	13,61	12,84
OCB	11,19	12,73	12,34	12,84	13,30	12,47
NAB	9,66	9,28	9,46	8,92	11,16	12,66
EIB	13,81	10,50	12,29	14,64	13,43	12,41

(Source: Annual Reports of Commercial Banks)

Compared with the peer banks included in the study, Nam A Bank's position has improved markedly. As of 2024, Nam A Bank ranked third among the six analyzed banks, with a capital adequacy ratio (CAR) higher than MSB (12.39%), OCB (12.47%), and EIB (12.41%), and only slightly lower than TPB (13.20%) and SSB (12.84%). This indicates that Nam A Bank's capital strength has been substantially enhanced, moving away from the lower tier observed during 2020 - 2022 and approaching the group of mid-sized banks with stronger financial capacity.

During the 2021 - 2024 period, the leverage ratio declined steadily from 18.10 times to 11.71 times. This significant reduction suggests that the bank has proactively strengthened its equity base through charter capital increases and the accumulation of retained earnings, while simultaneously maintaining prudent control over debt growth. This trend reflects a strategic shift from pure scale expansion toward financial soundness consolidation, contributing to lower liquidity risk and reduced pressure on funding costs.



(Source: Nam A Bank’s Financial Statements)

Fig 1: Financial Leverage Ratio at Nam A Bank

With a leverage ratio of 11.71 times in 2024, Nam A Bank remains below the CAMELS benchmark of 12.5 times,

indicating a sound and prudent capital structure.

2. Asset Quality Indicators (Asset)

Table 3: Loan-to-Total Assets Ratio of Nam A Bank Unit: VND billion

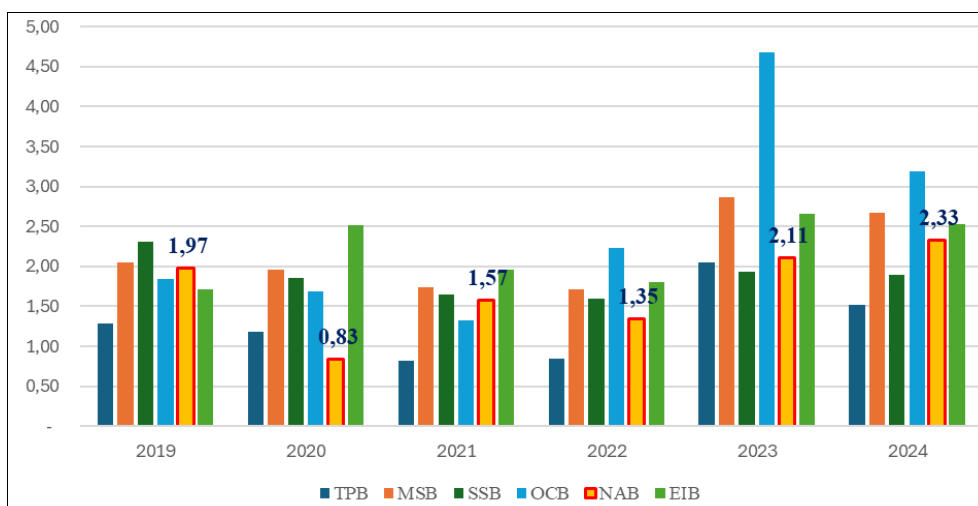
Items	2019	2020	2021	2022	2023	2024
Outstanding Loans	67,546	89,172	102,653	119,538	141,438	167,738
Total Assets	94,687	134,315	153,238	177,579	209,896	245,129
Loans-to-Total Assets Ratio	71%	66%	67%	67%	67%	68%

(Source: Financial Statements of Nam A Bank)

Nam A Bank’s outstanding loans and total assets increased steadily during the 2019 - 2024 period, reflecting a strategy of stable development and business expansion accompanied by prudent financial risk control. Outstanding loans rose from VND 67,546 billion in 2019 to VND 167,738 billion in 2024, corresponding to an average annual growth rate of approximately 25%. Over the same period, total assets expanded significantly from VND 94,687 billion to VND 245,129 billion, indicating substantial improvements in the bank’s fund mobilization capacity and resource management efficiency.

During the 2019 - 2024 period, Nam A Bank’s NPL ratio fluctuated markedly in response to macroeconomic

conditions and credit cycle dynamics. In 2019, the bank’s NPL ratio stood at 1.97%, reflecting the typical credit risk faced by the banking sector during a phase of rapid asset growth. In 2020, amid the impact of the COVID-19 pandemic, the State Bank of Vietnam introduced support mechanisms such as Circular No. 01/2020/TT-NHNN, which allowed for loan restructuring, interest rate reductions, and the maintenance of loan classification. Thanks to the timely implementation of these measures, Nam A Bank reduced its NPL ratio to 0.83%, the lowest level among the peer banks. This outcome demonstrates the bank’s effective credit risk management during a period of severe economic disruption.

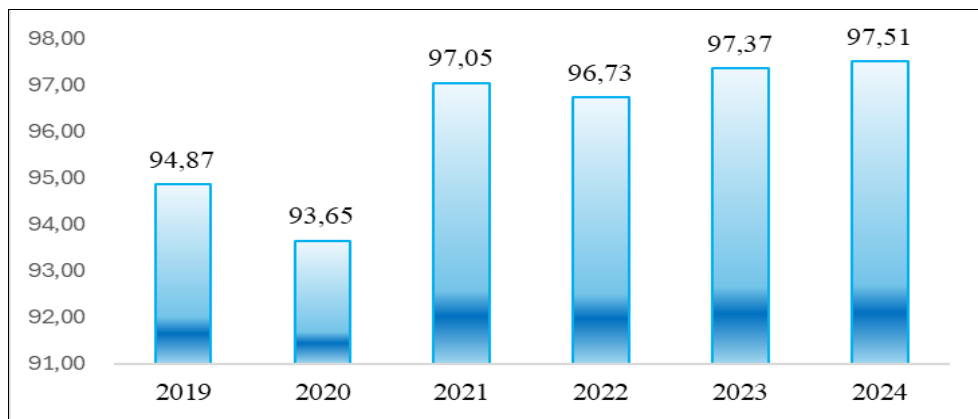


(Source: Financial Statements of Commercial Banks)

Fig 2: Non-performing Loan (NPL) Ratio of Nam A Bank and Commercial Banks

The ratio of earning assets to total assets at Nam A Bank remained at a high level throughout 2019 - 2024. The indicator declined slightly from 94.87% to 93.65% during

2019 - 2020, as the bank increased liquidity reserves to mitigate pandemic-related risks.



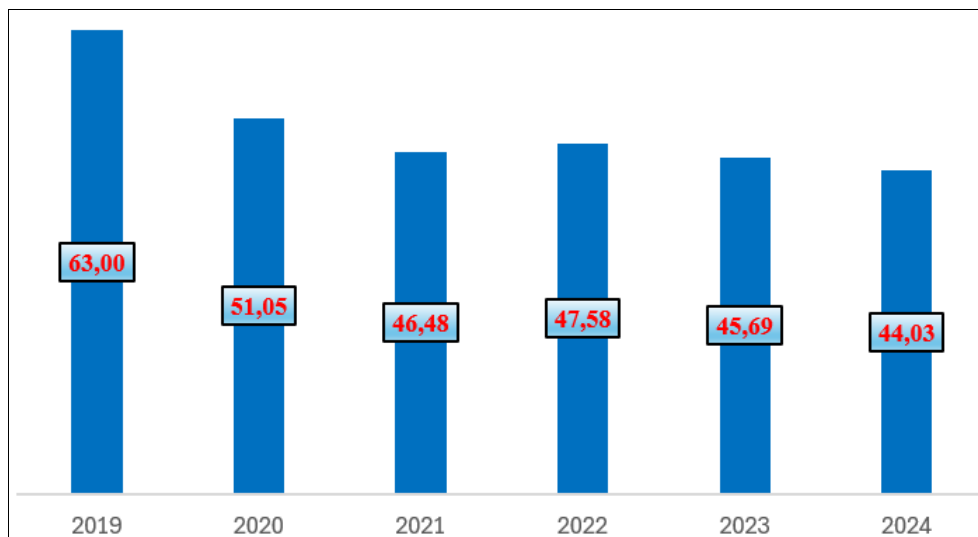
(Source: Nam A Bank’s Financial Statements and the Author’s Calculations)

Fig 3: Ratio of Earning Assets to Total Assets

From 2021 onward, this ratio rose steadily and consistently exceeded 96%, reaching 97.51% in 2024, reflecting an asset portfolio increasingly concentrated in income-generating items and optimized alongside economic recovery. Maintaining a high and stable ratio indicates that the bank’s

asset quality is well preserved, with limited exposure to non-earning assets, and underscores its capacity to generate sustainable income over the long term.

3. Management Capacity Indicators (Management)



(Source: Nam A Bank’s Financial Statements and the Author’s Calculations)

Fig 4: Operating Expenses to Total Income Ratio (%)

During the 2019–2024 period, Nam A Bank’s Cost-to-Income Ratio (CIR) exhibited a downward trend, declining from 63% to 44.03%, indicating a noticeable improvement in cost control efficiency. The year-by-year reduction suggests that the bank has made significant efforts to enhance operational productivity, streamline its organizational structure, and expand income at a faster pace than operating expenses.

enhancing customer experience require substantial upfront investment costs.

Nevertheless, Nam A Bank’s CIR remains relatively high, implying substantial room for further improvement and the need for continued reductions to strengthen its competitive position. One key factor preventing a sharper decline in the CIR is the bank’s sustained investment in technology infrastructure and digital transformation. Projects such as developing a digital banking ecosystem, expanding the OneBank network, increasing process automation, and

Table 4: Cost-to-Income Ratio (CIR) of Commercial Banks

Banks	2019	2020	2021	2022	2023	2024
TPB	39,00	40,48	33,81	38,07	41,27	34,81
MSB	53,07	49,93	37,13	41,41	39,26	36,78
SSB	38,16	47,50	35,95	35,28	38,28	33,28
OCB	37,04	29,08	26,94	36,06	35,48	37,78
NAB	63,00	51,05	46,48	47,58	45,69	44,03
EIB	60,20	54,86	53,39	47,69	47,92	39,73

(Source: Nam A Bank’s Financial Statements and the Author’s Calculations)

A comparison with peer banks shows that although Nam A Bank’s Cost to Income Ratio (CIR) has improved steadily

over the years, it remains above the industry average. By 2024, the CIR declined to 44.03%, significantly narrowing the gap with other banks, yet still placing Nam A Bank at a relatively lower position in terms of cost efficiency. In contrast, banks such as TPB, SSB, and OCB maintained CIR levels in the range of 33 - 38%, indicating superior operational efficiency. Some banks, including EIB and MSB, recorded CIR levels comparable to or slightly higher than Nam A Bank in certain years; however, overall, they exhibited a more stable trend. Thus, despite notable improvements in cost control, Nam A Bank still has considerable room to further optimize operations in order to converge toward the leading group in operational efficiency. During the 2020–2024 period, Nam A Bank’s profit after tax (PAT) increased continuously, reflecting improved

business performance and a stronger capacity to adapt to macroeconomic fluctuations. In 2020, profit reached VND 800 billion, with a modest growth rate of 9.3%, as the COVID-19 pandemic dampened credit demand and business activity. In 2021, as the economy gradually reopened, Nam A Bank recorded exceptional profit growth, with PAT rising to VND 1,434 billion, an increase of 79.4%, driven by credit recovery, improved service income, and tighter control over asset quality.

The strong and sustained profit growth throughout the period indicates that Nam A Bank has enhanced its management capability, diversified income sources, and effectively controlled costs, thereby reinforcing its competitive position within the mid-sized banking segment.

Table 5: Profit After Tax of Commercial Banks Unit: VND billion

Banks	2019	2020	2021	2022	2023	2024
TPB	3.094	3.510	4.829	6.261	4.463	6.072
MSB	1.044	2.011	4.035	4.616	4.644	5.519
SSB	1.098	1.360	2.607	4.053	3.677	4.816
OCB	2.582	3.535	4.405	3.510	3.303	3.173
NAB	732	800	1.434	1.808	2.622	3.607
EIB	866	1.070	965	2.946	2.165	3.327

(Source: Financial Statements of Commercial Banks)

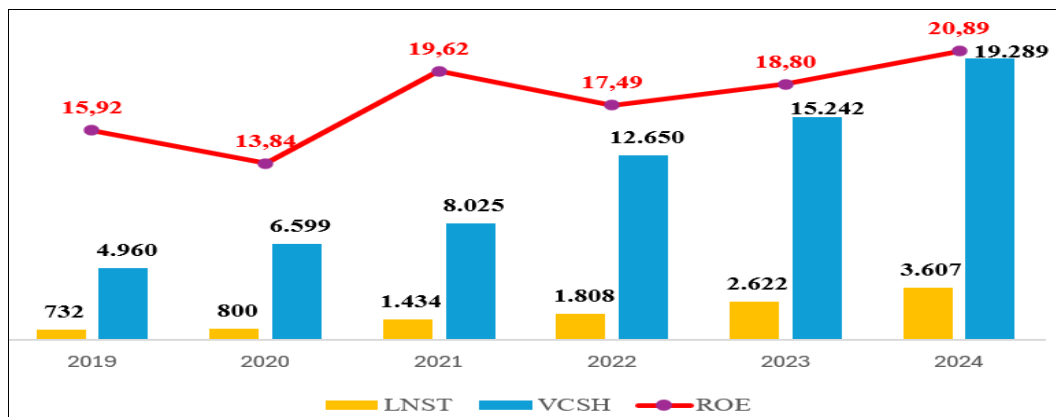
Compared with commercial banks of similar size, Nam A Bank’s absolute profit level remains lower than that of leading peers such as TPB, MSB, and SSB; however, its profit growth rate ranks among the highest in the group. While TPB, MSB, and SSB sustain high profit levels due to their extensive customer bases and diversified credit portfolios, Nam A Bank stands out for its stable, less volatile, and consistently upward profit expansion over the years. In contrast, several banks, such as OCB and EIB, experienced more pronounced profit fluctuations as a result

of market conditions, restructuring strategies, or changes in business portfolios.

4. Profitability Indicators (Earnings)

The Return on Equity (ROE) is also a key indicator that investors commonly use as a basis for investment decisions. According to the CAMELS prudential framework, ROE should be greater than or equal to 15%. For Nam A Bank, this indicator is presented in detail as follows:

Unit: VND billion, %



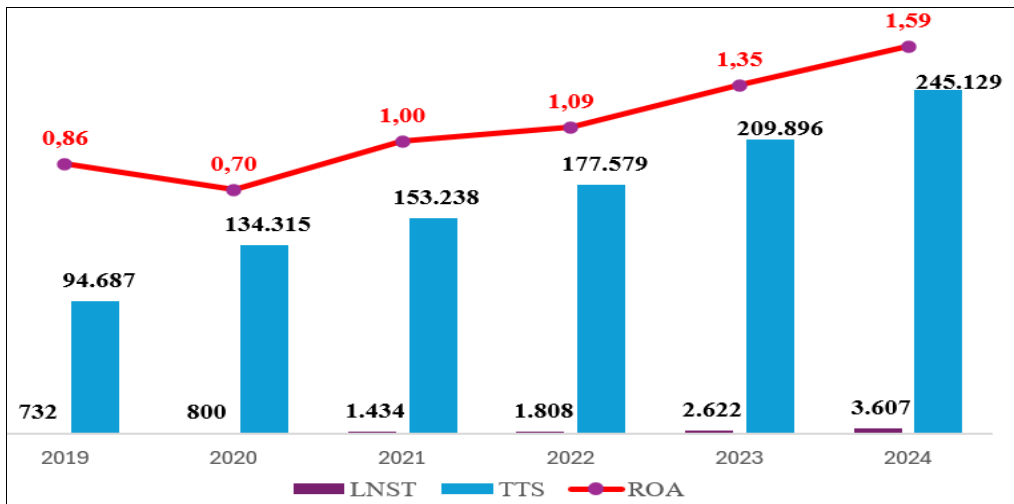
(Source: Nam A Bank’s Financial Statements)

Fig 5: Return on Equity (ROE) of Nam A Bank

The ROE indicator has maintained a positive trend. Although ROE declined to 13.84% in 2020 due to the impact of the COVID-19 pandemic, it recovered rapidly in subsequent years, reaching 19.62% in 2021 and increasing further to 20.89% in 2024. This trend indicates that Nam A Bank has utilized its equity capital more efficiently over time, as profit growth has outpaced the expansion of equity. Overall, compared with the CAMELS benchmark (ROE ≥ 15%), Nam A Bank exceeded the requirement and ranked

among the banks with strong equity profitability in 2024, alongside TPB and MSB.

The ROA indicator also reflects a similar improvement trend. ROA rebounded strongly from 0.70% in 2020 to 1.00% in 2021, increased to 1.35% in 2023, and reached 1.59% in 2024. The rising ROA indicates that the bank has enhanced its asset utilization efficiency, optimized income-generating assets, and effectively controlled operating costs over time. Unit: VND billion, %

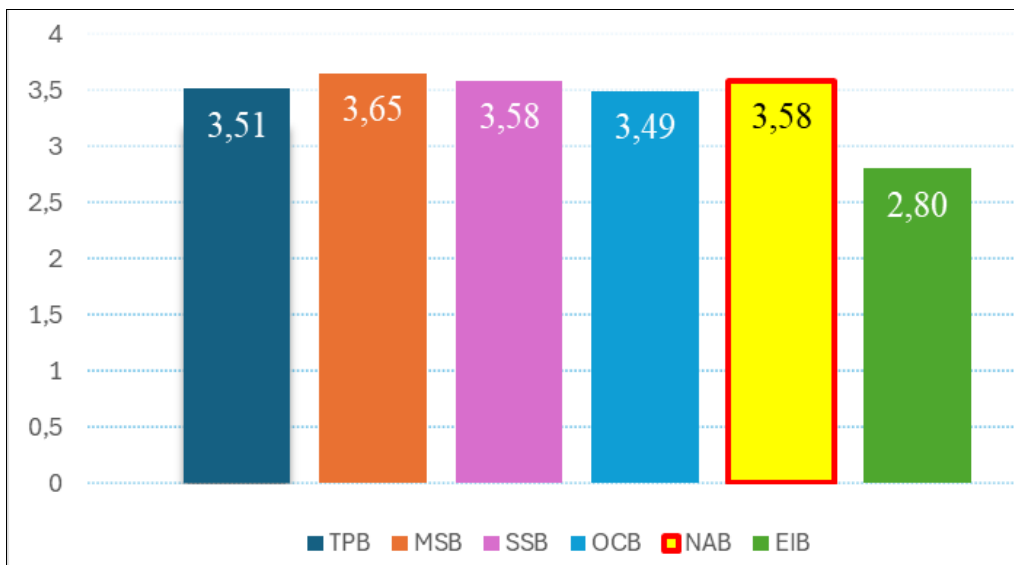


(Source: Nam A Bank’s Financial Statements)

Fig 6: Return on Assets (ROA) of Nam A Bank

According to Figure 7, the Net Interest Margin (NIM) maintained a positive and steadily increasing trend over the years. NIM declined to 2.42% in 2020 due to unfavorable market conditions, but recovered quickly from 2021 onward, reaching 3.58% in 2024. This increase reflects the bank’s ability to expand lending activities, manage funding costs effectively, and adjust the structure of income-generating assets. During the 2022–2024 period, despite

volatility in market interest rates, Nam A Bank’s NIM remained relatively stable thanks to a strategy of increasing the share of high-yield earning assets. Under the CAMELS framework, a bank’s NIM is expected to be greater than 4.5%. In 2024, Nam A Bank’s NIM of 3.58% did not meet this benchmark. This raises the question of how the net interest margin of commercial banks in the study group compares. As shown in the following figure:



(Source: Financial Statements of Commercial Banks)

Fig 7: NIM of Commercial Banks in 2024 (%)

Within the group of banks examined, none met the CAMELS benchmark. Currently, Nam A Bank ranks second out of five banks (on par with SSB), behind MSB but ahead of TPB, OCB, and EIB.

5. Liquidity Indicators (Liquidity)

Loan-to-Deposit Ratio (LDR)

When this ratio is excessively high, it indicates a decline in liquidity, whereas an overly low ratio may reduce profitability, as deposit funding costs are typically lower than alternative funding sources and allow banks to benefit from interest rate spreads. Under the CAMELS framework, the maximum acceptable LDR is 80%.

Nam A Bank’s LDR during the 2019 - 2024 period fluctuated in line with macroeconomic conditions but generally remained within a safe range. In 2019, the LDR stood at 77.75%, before declining to 71.74% in 2020 as credit demand weakened due to the impact of the COVID-19 pandemic, while deposit mobilization continued to grow steadily. From 2021 onward, the LDR recovered alongside economic improvement, increasing to 72.65% in 2021 and 75.31% in 2022.

With Nam A Bank’s LDR consistently ranging between 71% and 76%, the bank has complied with both prudential frameworks, ensuring liquidity safety while simultaneously utilizing mobilized funds efficiently to support credit expansion.

Table 6: Loan-to-Deposit Ratio (LDR) of Commercial Banks (%)

Banks	2019	2020	2021	2022	2023	2024
TPB	64,66	64,89	53,79	55,65	64,80	66,90
MSB	46,46	51,10	57,47	66,98	65,44	63,67
SSB	68,91	66,76	67,37	76,74	77,84	73,17
OCB	71,49	70,55	66,44	75,13	75,53	72,72
NAB	77,75	71,74	72,65	75,31	75,27	76,20
EIB	76,54	71,84	79,08	81,30	80,39	78,62

(Source: Annual Reports of Commercial Banks)

A comparison with commercial banks in the study group indicates that Nam a Bank’s Loan-to-Deposit Ratio (LDR) remained at a relatively high level throughout the 2019–2024 period. While banks such as TPB and MSB consistently maintained LDR levels below 70%, reflecting more conservative liquidity management strategies, SSB, OCB, EIB, and Nam A Bank sustained higher ratios, generally fluctuating within the 70–80% range. This suggests that these banks tend to utilize a substantial proportion of mobilized funds to finance credit activities.

Overall, Nam A Bank’s position within the study group reflects an active use of funding resources to support credit growth; however, this approach also requires more stringent liquidity management to ensure systemic safety amid volatile market conditions.

6. Sensitivity to Market Risk Indicators (Sensitivity)

In the context of highly volatile and unpredictable interest rate movements, controlling interest rate risk has become a critical requirement for commercial banks to maintain financial stability and ensure sustainable profitability. Accordingly, an assessment of Nam A Bank’s interest rate sensitivity should be conducted based on specific operational data over time, as presented below:

Table 7: Interest Rate Sensitivity Gap-to-Equity Ratio of Nam A Bank Unit: VND billion; %

Items	2019	2020	2021	2022	2023	2024
Interest Rate Sensitivity Gap	5.830	7.521	9.646	14.608	16.837	21.489
Equity Capital	4.960	6.599	8.025	12.650	15.242	19.289
Gap-to-Equity Ratio	118	114	120	115	110	111

(Source: Nam A Bank’s Financial Statements)

According to Circular No. 52/2018/TT-NHNN, the ratio of the difference between interest rate-sensitive assets and interest rate sensitive liabilities relative to equity capital is classified into four assessment thresholds for large-scale commercial banks. Maintaining this ratio below 95% is considered the minimum requirement to ensure that banks possess sufficient capital capacity to absorb shocks arising from fluctuations in market interest rates.

However, measurement results for Nam A Bank during the 2019 - 2024 period indicate that the interest rate gap-to-equity ratio consistently exceeded the maximum threshold stipulated by Circular 52. The persistent level above 100% reflects a high degree of interest rate sensitivity and suggests that the bank’s equity capital has not been sufficient to offset the repricing gap between assets and funding sources. Although equity capital increased sharply from VND 4,960 billion in 2019 to VND 19,289 billion in 2024, indicating substantial capital strengthening, the interest rate gap expanded correspondingly, causing the ratio to decline only marginally and in an unsustainable manner, while still remaining above 100%. This level is significantly higher

than the supervisory threshold under Circular 52 and the safety level recommended by the CAMELS framework. These findings indicate that Nam A Bank’s resilience to interest rate risk remains limited, and that the bank needs to continue strengthening its equity base while restructuring the maturity profile of assets and liabilities to reduce repricing mismatches in the coming years.

Overall, compared with the commercial banks in the study sample, Nam A Bank exhibited the highest level of interest rate sensitivity during the period 2019–2021 and only began to gradually narrow the gap from 2022 onward. This highlights the urgent need to further strengthen equity capital, optimize the maturity structure, and enhance interest rate risk management in order to bring the gap-to-equity ratio closer to acceptable safety thresholds.

Evaluation

1. Achieved Results

Capital adequacy (Capital)

Nam A Bank’s equity capital scale has improved markedly. During 2019 - 2024, equity capital increased nearly fourfold, from approximately VND 5 trillion to over VND 19 trillion, at a pace significantly faster than that of peer banks. The capital adequacy ratio (CAR) improved substantially. CAR rose above 11% and reached approximately 12.7% in 2024. This level exceeds the Basel II minimum requirement and approaches Basel III standards, placing Nam A Bank in a relatively strong position among the banks in the sample. The financial leverage ratio has also declined toward a safer level. After peaking at around 19 times in 2020, leverage gradually fell to approximately 11 - 12 times in 2024. This indicates a more balanced funding structure, reduced reliance on liabilities, and enhanced capital safety and financial autonomy.

Asset quality (Asset Quality)

Credit scale and total assets expanded steadily, reflecting growth in the customer base, market share, and funding capacity. The loan-to-total-assets ratio was maintained at around 66 - 68%, indicating a focus on core lending activities while preserving room for other income-generating assets. Despite cyclical fluctuations and the impact of the pandemic, Nam A Bank’s non-performing loan (NPL) ratio remained below 3%, in compliance with State Bank of Vietnam regulations. The share of earning assets in total assets stayed consistently high. After a slight decline in 2020 due to increased liquidity buffers, the ratio quickly rebounded above 96% and reached approximately 97.5% in 2024, reflecting an asset portfolio optimized for profitability and limited exposure to non-earning assets.

Management capability (Management)

Cost control efficiency improved markedly. The cost-to-income ratio (CIR) declined continuously from about 63% in 2019 to nearly 44% in 2024. Operating income grew faster than expenses, driven by customer base expansion, product diversification, and more effective utilization of the service ecosystem. This indicates progressively more efficient management and execution, leveraging investments in networks and technology.

Profitability (Earnings)

Nam A Bank’s ROE recovered rapidly after the pandemic, exceeding 20% in 2024 above the 15% minimum under the

CAMELS framework. ROA also increased steadily to around 1.6%, surpassing the 1% benchmark and ranking favorably among peer banks. These results reflect increasingly efficient use of equity and assets. Net interest margin (NIM) followed a stable upward trend: after declining in 2020 due to unfavorable interest rate conditions, NIM rebounded and reached nearly 3.6% in 2024.

Liquidity (Liquidity)

The ratio of highly liquid assets to total assets remained within a safe range and showed improvement, rising from approximately 15 - 16% in the early period to over 20% in 2024. The loan-to-deposit ratio (LDR) consistently stayed below warning thresholds. During 2019 - 2024, LDR fluctuated around 71 - 76%, below the CAMELS threshold of 80% and under the State Bank's 85% ceiling for the use of short-term funds for medium- and long-term lending. This indicates a relatively balanced approach between profitability from lending and liquidity safety.

Sensitivity to market risk (Sensitivity)

Although the interest rate gap-to-equity ratio remained high, Nam A Bank demonstrated efforts to strengthen capital and adjust the asset liability structure. During 2022 - 2024, the ratio showed a downward trend compared with 2019 - 2021, indicating greater attention to interest rate risk management, measurement, and reporting in line with Circular 52 requirements. This provides an important foundation for further enhancing the market risk management framework.

2. Limitations and Causes

Despite rapid growth in equity capital, Nam A Bank's absolute capital size remains significantly smaller than that of peer banks. By 2024, equity capital exceeded VND 19 trillion, whereas several comparable banks had surpassed VND 30 - 35 trillion, limiting credit growth capacity, investment scale, and competitiveness in capital-intensive segments.

While the NPL ratio stayed below 3%, it increased during 2023 - 2024, reflecting a challenging business environment particularly in real estate, construction, and small enterprises. This indicates the need for further improvement in credit appraisal, post-lending supervision, and early warning systems, especially as the bank expands into higher-margin but higher-risk segments.

Although CIR declined substantially, Nam A Bank still records relatively high operating costs compared with peers. Key drivers include heavy short-term investments in technology infrastructure, digital banking, and the OneBank model raising depreciation and operating expenses as well as rapid expansion of networks and staffing ahead of full process optimization. Some new business lines have yet to reach optimal scale to fully absorb fixed costs.

NIM, while relatively strong among mid-sized banks, remains below the CAMELS ideal benchmark of 4.5%. This is mainly due to intense competition for deposits, keeping average funding costs elevated, and a credit portfolio still concentrated in traditional customer segments with moderate margins.

The ratio of highly liquid assets exceeded 20% only in 2024, having been around 15 - 17% in prior years. This suggests that during periods of strong credit expansion, the bank prioritized earning assets, leaving liquidity buffers less

ample. Under adverse conditions or large-scale withdrawals, liquidity pressure could emerge.

Although LDR remained below 80 - 85%, it consistently stayed in the 70 - 76% range higher than some banks maintaining LDR around 60 - 65%. While this supports interest income maximization, it necessitates more prudent liquidity management amid volatile interest rates and cash flows.

The most notable limitation under Sensitivity is the persistently high interest rate gap-to-equity ratio, consistently exceeding supervisory thresholds under Circular 52. During 2019 - 2024, the ratio ranged from 110% to 120%, well above the 95% high-risk threshold. This stems from rapid credit growth in a competitive environment and heavy reliance on short-term, market-sensitive funding, increasing earnings volatility as interest rates change and underscoring the need to strengthen asset-liability management (ALM)

Solutions

Enhancing capital adequacy

Implement a strategic capital strengthening roadmap, including equity issuance (stock dividends, private placements to strategic investors, ESOP). Conduct ICAAP in line with Basel II-III to accurately quantify current and future capital needs, enhance stress testing, and integrate ICAAP into annual business planning. Optimize risk-weighted assets by reducing exposure to high-risk sectors (e.g., real estate, construction) and increasing retail and SME lending. Increasing the share of liquid assets will also ease capital pressure and improve system safety.

Credit control

Improve credit appraisal and approval by standardizing internal rating systems under Basel II and applying Big Data and AI to customer behavior analysis, thereby enhancing repayment assessment and reducing moral hazard. Manage sectoral credit limits to avoid concentration risk, and expand retail and SME lending to improve NIM and asset quality through better risk diversification.

Profit generation enhancement

Optimize funding costs and grow CASA through digital banking expansion, payment ecosystem development, and improved customer experience. Apply process automation (RPA), digitization, and organizational standardization to reduce long-term costs. Prioritize high-margin, low-risk assets such as SME credit, secured consumer loans, and government securities.

Funding development

Diversify deposit products with flexible structures (online savings, tiered savings, segmented offerings) and leverage the OneBank platform. Expand digital fundraising, enhance mobile app experiences, and target digital transactions exceeding 95% by 2030.

Market risk sensitivity control

Restructure asset-liability maturities by reducing rapidly repricing loans and increasing long-term funding to narrow maturity gaps. Consider interest rate swaps (IRS), forward rate agreements (FRA), and other hedging instruments as permitted to stabilize funding costs and net interest income. Apply Basel-compliant ALM models and conduct regular stress testing under multiple interest rate scenarios.

Conclusion

Implementing the proposed solutions is expected to help Nam A Bank address existing limitations, formulate appropriate management strategies, improve financial indicators, strengthen financial capacity, and enhance competitiveness in the market.

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