

# THE BUSINESS PERFORMANCE OF THE BANK FOR AGRICULTURE AND RURAL DEVELOPMENT BASED ON FINANCIAL INDICATORS FROM 2018 TO 2023

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**Abstract:** *Despite facing numerous difficulties and challenges from both the global and domestic economies, Agribank has achieved remarkable accomplishments, reaffirming its pioneering role as a major state-owned commercial bank. Agribank has made significant contributions to the implementation of monetary policy, supporting individuals, businesses, and the country's economic recovery and development programs. Notably, the bank plays a key role in investing in the development of agriculture, farmers, and rural areas, with over 65% of its outstanding loans dedicated to this sector, making up the largest share of agricultural credit in Vietnam. This article will analyze Agribank's business performance through key financial indicators.*

• Keywords: business performance, ROA, ROE, NIM, CAR, Agribank.

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## 1. Introduction

Throughout its development, under various names, Agribank has consistently affirmed its position and role as one of Vietnam's leading commercial banks. It has been a key player in promoting investment in the "Three Rural" sectors (agriculture, rural areas, and farmers), spearheading monetary policy implementation, contributing to macroeconomic stability, curbing inflation, supporting economic growth, and ensuring social welfare.

Agribank has had a significant influence on providing credit to key economic sectors such as agriculture, forestry, fisheries, and rural economic development. As of now, Agribank is the only commercial bank in Vietnam entirely owned by the State, with the largest scale and operational network among the country's credit institutions. It operates 2,300 branches and transaction offices nationwide, including remote areas and islands, and employs nearly 40,000 staff.

Agribank continues to lead by example, strictly and effectively implementing national monetary policies as well as the directives and policies of the Party and State regarding the "Three Rural" sectors, monetary systems, and banking. It has particularly excelled in credit policies for agricultural and rural development. These efforts have significantly

contributed to macroeconomic stability, inflation control, growth promotion, social welfare assurance, and the sustainable modernization of agriculture, a vital pillar of the economy.

## 2. Body of the manuscript

### 2.1. Theoretical Basis

Financial performance metrics in the banking sector play a crucial role in assessing the health and operational efficiency of financial institutions. Key indicators include Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Capital Adequacy Ratio (CAR). These metrics not only provide insights into operational performance but also reflect the level of risk and financial sustainability of a bank.

**Return on Equity (ROE):** This is a measure of the profitability generated from shareholders' equity. The formula is as follows:

$$ROE = \frac{\text{Profit After Tax (PAT)}}{\text{Equity}}$$

- **Return on Assets (ROA):** Measures the efficiency of a bank's use of its assets in generating profit. The formula is as follows:

$$ROA = \frac{\text{Profit After Tax (PAT)}}{\text{Asset}}$$

Both ROA and ROE are widely used to compare the financial performance between banks.

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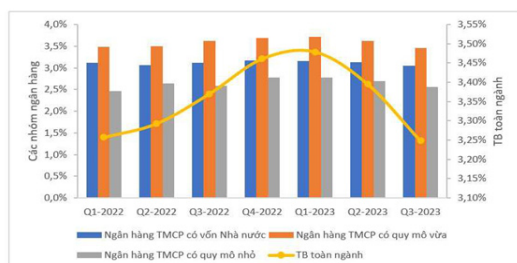
Net Interest Margin (NIM): This is an important measure that reflects a bank's profitability. NIM is calculated by subtracting interest expenses from interest income and then dividing by the total interest-bearing assets, thereby reflecting the bank's ability to generate profits from its core operations.

$$\text{NIM} = \frac{\text{Net Interest Income}}{\text{Average Earning Assets}} \times 100$$

In which, net interest income includes: Deposits at the State Bank of Vietnam + Deposits with other financial institutions (excluding provisions for risks) + Investment securities (excluding provisions for devaluation) + Loans to customers (excluding provisions for risks).

A positive Net Interest Margin (NIM) indicates effective investment by the bank, while a low or negative NIM suggests poor business performance. When comparing NIM, it is necessary to assess it against other companies in the industry and observe trends over time. For example, the 2023 Vietnam banking sector report provides statistics on the NIM of various banks as follows:

**Figure 1. Classification of NIM by Group from Q1/2022 to Q3/2023**



Source: Banking Academy, Vietnam Banking Report 2023, Q3

- **Capital Adequacy Ratio (CAR):** Measures a bank's ability to meet its financial obligations and absorb losses, while also complying with the capital requirements set by regulatory authorities. CAR is an indicator that reflects the relationship between a bank's equity and its risk-weighted assets. According to the regulations of the State Bank of Vietnam in Circular 41/2026/TT-NHNN, the formula is as follows:

$$\text{CAR} = \frac{C}{\text{RWA} + 12.5 (K_{\text{OR}} + K_{\text{MR}})} \times 100$$

In which, C: Equity capital; RWA: Total risk-weighted assets;  $K_{\text{OR}}$ : Capital required for operational risk;  $K_{\text{MR}}$ : Capital required for market risk.

A high CAR indicates financial stability, but

it may also suggest that the bank is pursuing a conservative strategy, limiting profit growth. The capital adequacy ratio is a fundamental measure for central banks (CB) to assess the financial health of commercial banks. If a CB determines that a commercial bank does not meet the required capital adequacy, that bank is considered unable to operate normally and is forced to close. The capital adequacy ratio helps determine the ability to meet long-term debt obligations and absorb other risks. Therefore, central banks in various countries always set and monitor the minimum CAR that commercial banks must maintain. According to the Basel II standards, commonly applied in banking systems worldwide, the CAR is 8%. In Vietnam, Circular 36/2014/TT-NHNN sets the CAR at 9%. At the end of 2016, Circular 41/2016/TT-NHNN reduced the minimum ratio to 8%, in line with Basel II regulations.

**Other indicators:** In addition to the basic metrics, measures such as the Efficiency Ratio, Loan-to-Assets Ratio, and Risk-Adjusted Return on Capital (RAROC) also provide detailed insights into a bank's operational efficiency and the level of risk it faces. For example, the efficiency ratio assesses the level of effectiveness in controlling operating costs, while RAROC considers the profitability of investment portfolios based on risk levels.

Evaluating a bank's financial performance cannot be separated from the overall economic context and risk management strategy. This is especially true as banks increasingly apply advanced technologies such as big data and artificial intelligence to improve their risk management capabilities and optimize performance.

## 2.2. Business Performance of Agribank Based on Financial Indicators

The business performance of Agribank in recent times is presented in Table 1.

**Table 1. The financial business performance of Agribank**

Years	Net profit/loss from service activities	Net profit/loss from foreign exchange and gold trading activities	Net profit/loss from trading securities	Net profit/loss from the purchase and sale of investment securities	Net profit/loss from other activities	Total profit before tax	Profit after tax
2018	3,763,116,000,000	704,649,000,000	6,255,000,000	52,965,000,000	8,023,823,000,000	7,345,482,000,000	5,769,524,000,000
2019	4,591,035,000,000	1,030,125,000,000	9,332,000,000	(24,754,000,000)	11,006,030,000,000	14,116,530,000,000	11,247,778,000,000
2020	4,386,825,000,000	939,732,000,000	-	113,760,000,000	8,108,077,000,000	12,965,931,000,000	2,583,084,000,000
2021	4,311,810,000,000	1,515,021,000,000	-	62,844,000,000	8,091,458,000,000	14,502,469,000,000	2,891,350,000,000
2022	4,383,232,000,000	4,383,232,000,000	4,383,232,000,000	4,383,232,000,000	4,383,232,000,000	22,538,625,000,000	18,043,000,000,000
2023	4,901,464,000,000	4,901,464,000,000	4,901,464,000,000	4,901,464,000,000	4,901,464,000,000	25,859,182,000,000	20,695,801,000,000

Source: Compiled from Agribank's Financial Statements

From the statistical results in Table 1, there are

several observations regarding Agribank's business performance as follows:

*Net profit/loss from service activities:* The net profit/loss from Agribank's service activities increased significantly in 2019 (22%), then slightly decreased in 2020 and 2021. By 2023, this figure continued to rise (11.82%), indicating a recovery trend after previous fluctuations.

*Net profit/loss from foreign exchange trading:* The results show that this indicator experienced strong growth in 2019 (46.19%) and reached an extraordinary increase in 2021 (61.22%). However, since 2022, foreign exchange activities have undergone changes, leading to greater stability in this indicator, with a slight increase of 11.82% in 2023.

*Net profit/loss from trading securities:* The results in Table 2.1 show a dramatic increase in profit/loss from trading securities in 2022 (46,869.91%) due to significant changes in securities trading activities. In 2023, this indicator maintained a growth rate of 11.82%.

*Net profit/loss from investment securities trading:* This indicator at Agribank has experienced significant fluctuations, with a growth rate of -146.74% in 2019, a sharp decline in the following years, and then an extraordinary increase in 2022 (6,874.78%).

*Net profit/loss from other activities at Agribank from 2018-2023:* There was a growth in profit/loss from other activities in 2019 (37.17%), but it gradually decreased in the following years and stabilized at 11.82% in 2023.

*Total profit before tax of Agribank in the period from 2018-2023:* There were significant changes. The profit before tax grew substantially by 92.18% in 2019 but decreased in 2020 (-8.15%) and rebounded strongly in 2022-2023 (14.73%).

*Profit after tax:* The growth was extraordinary in 2019 (94.95%) but dropped sharply in 2020 (-77.03%) due to market factors. After that, the profit showed a tendency to stabilize, reaching 14.7% in 2023.

These growth rates demonstrate the clear fluctuations of each indicator over the years, reflecting market impacts and strategic adjustments made by the bank in the post-pandemic period.

**Analysis of Some Profitability Indicators of Agribank:**

The business performance analyzed includes the indicators ROA, ROE, credit growth rate, and the loan portfolio/total assets ratio of the bank. The results of the business performance from 2018 to 2023 are summarized in Table 2.

**Table 2. Some indicators of profitability**

Years	Return on Assets (ROA)	Return on Equity (ROE)
2018	0.45%	9.92%
2019	0.77%	16.24%
2020	0.16%	3.62%
2021	0.17%	3915.51%
2022	0.96%	20.74%
2023	1.01%	20.59%

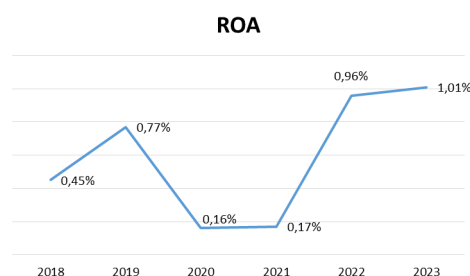
Source: Compiled by the author from Agribank's Financial Statements/Annual Reports

The data above reflects some important financial indicators of Agribank over the years from 2018 to 2023, including Return on Assets (ROA) and Return on Equity (ROE). Below are some detailed observations:

#### **Return on Assets (ROA)**

Figure 2.2 reflects the trend of Agribank's Return on Assets (ROA) over the years.

**Figure 2. The trend of fluctuations in ROA from 2018 to 2023**



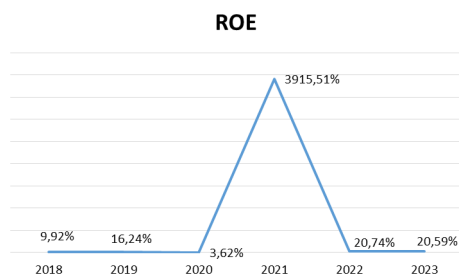
The results in Table 2 and Figure 2 show that the ROA indicator has shown a slight increase from 0.45% in 2018 to 1.01% in 2023. This indicates an improvement in Agribank's asset utilization efficiency over time, especially after the pandemic period.

#### **Return on Equity (ROE)**

The trend of fluctuations in Return on Equity (ROE).

The Return on Equity (ROE) in 2021 showed a significant growth, reaching 3915.51%, an exceptionally high figure compared to other years. This could be attributed to a special event that led to a large fluctuation in profit relative to equity. Excluding 2021, Agribank's ROE has remained relatively high, particularly in 2019 (16.24%) and 2022 (20.74%).

**Figure 3. The trend of fluctuations in ROE from 2018 to 2023**



In general, the analysis of the data reflects notable changes in Agribank's financial performance over the years, with a trend of slowing credit growth and improving asset utilization efficiency. However, the ROE figure for 2021 should be carefully examined to clarify the cause of this anomaly.

#### ***Current Status of Credit Management Efficiency at Agribank***

Credit management efficiency reflects the bank's ability to manage and allocate credit effectively to optimize profits, minimize risks, and ensure the quality of its loan portfolio. Credit management efficiency is demonstrated through objectives such as minimizing bad debts, which requires Agribank to manage loans effectively in order to reduce the bad debt ratio and, in turn, minimize potential losses due to uncollected loans. Another objective is to ensure that credit contributes to profit stability, making it predictable and contributing to the bank's overall profitability. Furthermore, credit management efficiency involves evaluating and selecting loans for the right clients, meeting the right needs, and ensuring the clients' ability to repay. Lastly, it aims to ensure that the bank's credit is managed in accordance with legal regulations and internal policies, thereby minimizing illegal actions and legal risks.

However, the efficiency of credit management also depends on factors such as customer evaluation processes, risk assessment methods, debt collection and monitoring systems, as well as the expertise and experience of the credit management team in the bank.

Some indicators of credit management efficiency are presented in Table 3, including: Capital Adequacy Ratio (CAR), Liquidity Ratio, the proportion of short-term capital used for medium- and long-term loans, credit growth, and credit outstanding/Total assets.

**Table 3. Some Indicators of Credit Management Efficiency at Agribank**

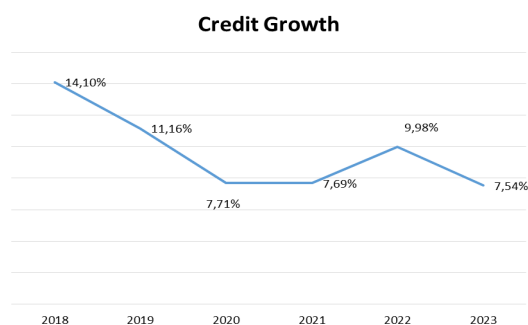
Years	Capital Adequacy Ratio (CAR) Min = 8%	Liquidity Ratio Min = 10%	Short-term Funding to Long-term Loan Ratio Max = 30%	Credit Growth	Credit Portfolio to Total Assets Ratio
2018	9.54%	14%	30.3%	14.10%	77.41%
2019	9.2%	15.8%	26.9%	11.16%	75.99%
2020	10.3%		-	7.71%	75.86%
2021	10.2%	15.6%	-	7.69%	75.56%
2022	10.6%	16.6%	25.18%	9.98%	75.10%
2023	>9%	--	23.11%	7.54%	74.04%

Source: Calculations and compilation by the author

#### ***Credit Growth Rate***

Credit growth reflects the change in the total outstanding loans of a bank over a certain period of time. It is an important indicator that shows the bank's readiness to provide capital to the economy and the borrowing needs of businesses and individuals. The trend of credit growth at Agribank is shown in Figure 4.

**Figure 4. The credit growth trend from 2018 to 2023**



The credit growth trend has been gradually decreasing from 14.10% in 2018 to 7.54% in 2023. This decrease may reflect the challenging economic environment or more cautious lending practices by financial institutions, particularly following the impact of the COVID-19 pandemic.

#### ***Loan-to-Asset Ratio***

The Loan-to-Asset Ratio reflects the degree of focus a bank has on its lending activities in comparison to other investments and assets. This is an important indicator for assessing the risk level and business strategy of the bank.

A high Loan-to-Asset Ratio suggests that the bank is concentrating most of its assets into loans, which can lead to higher profits but also increases the risk if clients fail to repay on time. Furthermore, this ratio also indicates liquidity risks. If the ratio is too high, the bank may struggle to maintain liquidity, especially when faced with overdue loans.

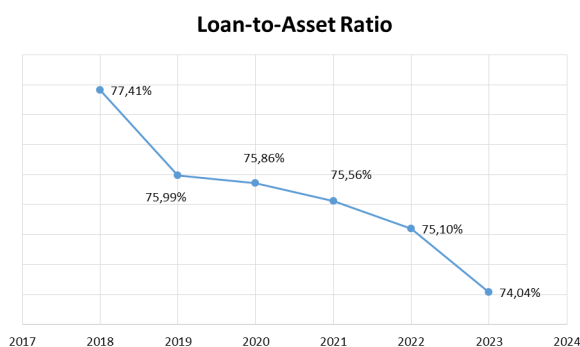


or bad debts. Loans are typically harder to liquidate than other assets like securities or cash.

On the other hand, a lower ratio may indicate that the bank is prioritizing stability, taking fewer risks, and investing in more liquid assets. This ratio also reflects how effectively the bank is using its assets. A balanced Loan-to-Asset Ratio demonstrates that the bank is successfully managing the trade-off between generating profit from its lending activities and managing risk. If the ratio is too low, the bank may not be utilizing its assets effectively, particularly by not optimizing profits from lending.

The detailed analysis of the Loan-to-Asset Ratio at Agribank is presented in Figure 5.

**Figure 5. The trend of fluctuations in the Loan-to-Asset Ratio from 2018 to 2023**



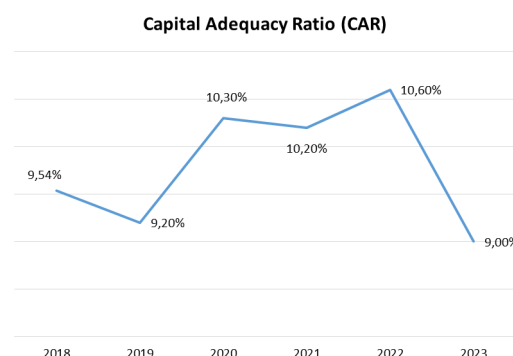
The results in Table 2 show that the Loan-to-Asset Ratio has slightly decreased over the years, from 77.41% in 2018 to 74.04% in 2023. This may indicate that Agribank is reducing its reliance on credit to finance its assets, possibly by raising more equity capital or optimizing its debt levels.

### **Capital Adequacy Ratio (CAR)**

The Capital Adequacy Ratio (CAR) is an important financial indicator used by financial institutions and banks to measure capital safety. CAR represents the ratio between a bank's own capital and its total risk-weighted assets, reflecting whether the bank has enough capital to absorb potential losses and protect depositors. According to the Basel II and Basel III regulations, banks are typically required to maintain a minimum CAR of 8% or higher (depending on the country). Compliance with the CAR helps banks reduce financial risks and strengthen the confidence of customers and investors.

The results reflecting the trend of fluctuations in Agribank's Capital Adequacy Ratio are shown in Figure 6.

**Figure 6. The trend of fluctuations in the Capital Adequacy Ratio (CAR) from 2018 to 2023**



Hệ số an toàn vốn cho thấy các năm từ 2020-2022 kết quả trên 10%, trong khi các năm còn lại có hệ số là khoảng 9%. Các kết quả này đều cho thấy hệ số CAR đều đạt qua ngưỡng đảm bảo 8%.

### **3. Solutions**

- The application of information technology and digital transformation will help Agribank enhance management efficiency, minimize risks, and improve security, thus improving ROA and ROE, as well as overall business performance.

- Diversifying financial products and services will help Agribank increase revenue and profit, while reducing reliance on traditional income sources. Agribank should develop additional high-value-added financial products to meet the diverse needs of customers. This includes green credit products, digital banking services, and financial products for high-tech agriculture.

- Strengthening risk management and cost control will help Agribank maintain stability and sustainability in its business operations, thereby enhancing profitability.

### **4. Conclusion**

Agribank has made significant progress in credit management, maintaining good safety and liquidity ratios, while also improving capital efficiency. However, the gradual decline in credit growth needs to be closely examined to ensure sustainable development in the future.

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