Banking Sector

Higher SMLR Cap Raises Banks' Funding and Liquidity Risks

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On 22 June 2026, the State Bank of Vietnam (SBV) raised the short-term funding for medium- and long-term lending ratio (SMLR) cap from 30% to 40%[1], and introduced broader credit support for selected infrastructure lending[2]. The measures (Exhibit 1) aim to provide banks with more flexibility to extend longer-tenor credit, particularly to infrastructure and real estate-related segments, as several fast-growing banks are already approaching the SMLR cap (Exhibit 2).

We view the higher SMLR cap as credit negative for banks as it allows greater use of short-term, confidence-sensitive market funds to support longer-term loans, increasing funding mismatch and refinancing risks. The regulatory easing comes amid weak sector deposit growth and policy-led credit expansion, exacerbating sector liquidity risk. Banks close to the previous 30% cap over the past year (e.g., MBB, OCB, VPB, BVB and VIB) are particularly exposed given their rapid growth in long-term lending to real estate-related sectors. These banks are more vulnerable to deposit competition and higher funding costs during market tightening, as seen during the 2022 liquidity stress (Exhibit 4 & 5).

In addition, the credit-limit exemptions for selected infrastructure loans - covering VND 752 trillion of projects over 2026-2033, including airports and railways - will lift annual sector credit growth by around 1.2 percentage points over the next 12–18 months, further increasing banks' funding needs.

These near-term pressures highlight structural funding constraints and underscore the need for a more robust liquidity framework. Against this backdrop, the SBV proposed a tighter liquidity rules[3] in May 2026 to gradually align banks with Basel III standards. The proposed framework replaces the traditional loan-to-deposit ratio (LDR) with a broader credit-to-deposit ratio (CDR), alongside the phased transition of liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and leverage ratio (LEV) requirements from 2028. Tighter liquidity requirements will promote more stable, deposit-driven funding structures, reduce reliance on confidence-sensitive wholesale funding, and support stronger liquidity buffers over time.

Banks with stronger retail deposits and longer-term funding are better positioned to meet the new requirements. As shown in Exhibit 6, TCB, MBB, and SHB maintain over 25% of liabilities in longer-term funding, supporting funding stability. While several private banks have developed LCR and NSFR capabilities, only TPB discloses Basel III-aligned metrics.

CDR compliance will tighten funding conditions during the transition, with unintended strains on sector liquidity. We estimate that under stricter CDR, most banks exceed the current proposed ceiling of 85% (Exhibit 7). As a result, deposit competition is likely to intensify, keeping funding costs elevated and weighing on net interest margins in the near term.

Overall, while SBV's reforms will strengthen banks' liquidity profiles over the long run, the combination of SMLR easing and tighter CDR compliance is likely to heighten near-term funding and liquidity risks, particularly for fast-growing banks with greater reliance on wholesale or less stable funding sources.

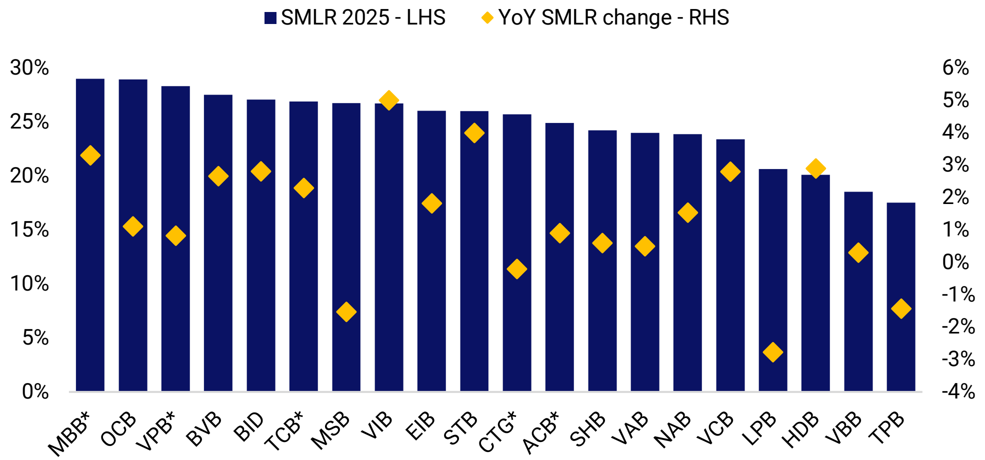
[1] *Refer to Circular 25/2026/TT-NHNN*
[2] *Refer to Official Dispatch No. 5386/NHNN-TD 2026*
[3] *Refer to Draft replacement of Circular 22/2019/TT-NHNN*

Exhibit 1: Key regulatory changes and credit implications

Key measures	Current rules	New rules	Implication
SMLR	Cap at 30%	Cap at 40%	Higher funding mismatch and liquidity risk
Infrastructure lending	Subject to credit limits	Exempt selected loans from credit limits.	Increase banks' funding needs
LDR	Gross loans/Total fundings Cap at 85%	New CDR: Numerator: Adding corporate bond investments, L/Cs and guarantees, and less equity Denominator: Excluding interbank funding, plus 20% of State Treasury term deposits Cap at 85%	Increase deposit competition and margin pressure
Basel III metrics	Not required	LCR: High-quality liquid assets/30-day net cash outflows Phased in from 70% in 2028 to 100% in 2031	Strengthens liquid assets Improve stable retail/SME deposits and long-term fundings
		NSFR: Available stable funding/Required stable funding Phased in from 90% in 2028 to 100% from 2030	
		LEV: Tier 1 capital/Total risk exposure Minimum 3%	Constrains excessive loan growth.

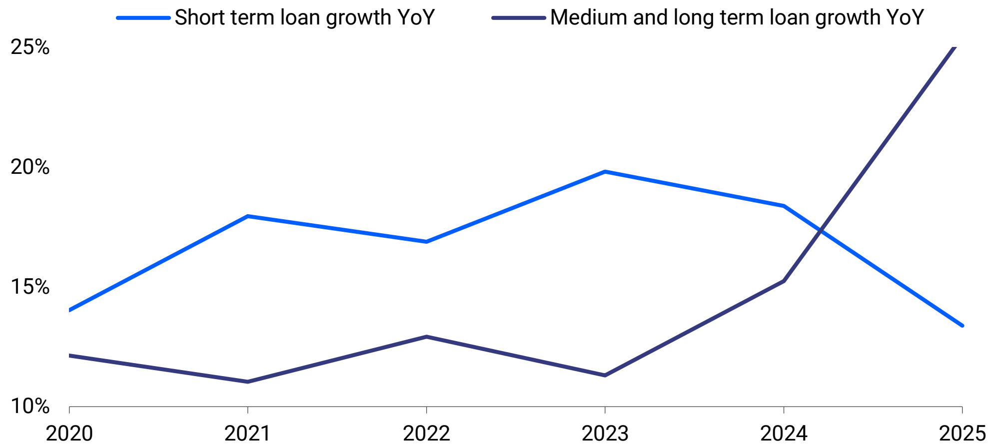
Sources: SBV, VIS Rating

Exhibit 2: Several fast-growing banks nearing the SMLR cap



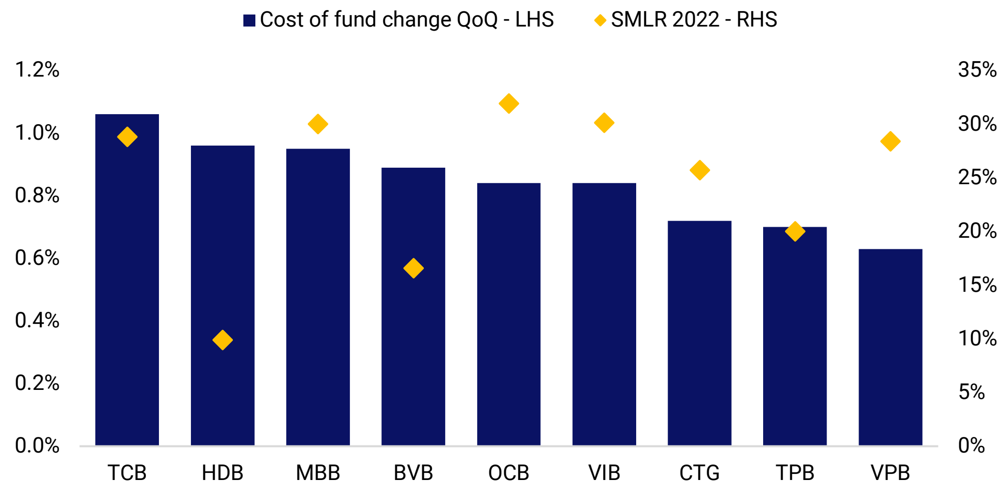
*Note: * data as of 1Q2026*
Source: Bank data, VIS Rating

Exhibit 3: Banks increased long-term infrastructure and real estate loans



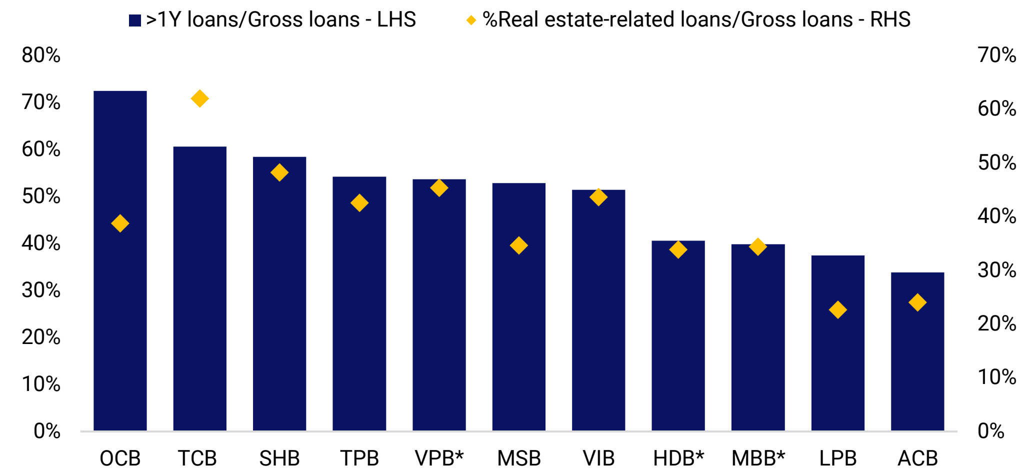
Note: Data covers 28 banks in the Appendix.
Source: Bank data, VIS Rating

Exhibit 4: High-SMLR banks more exposed to deposit competition and higher funding costs during 2022 market stress



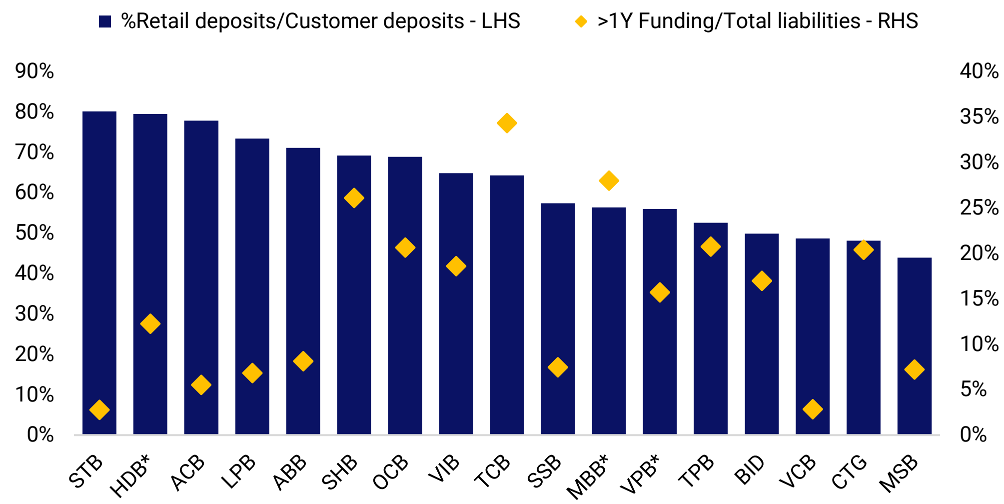
Note: 4Q2022 vs. 3Q2022 funding cost change
Source: Bank data, VIS Rating

Exhibit 5: Banks with rapid long-term real estate loans will face sizeable funding gaps



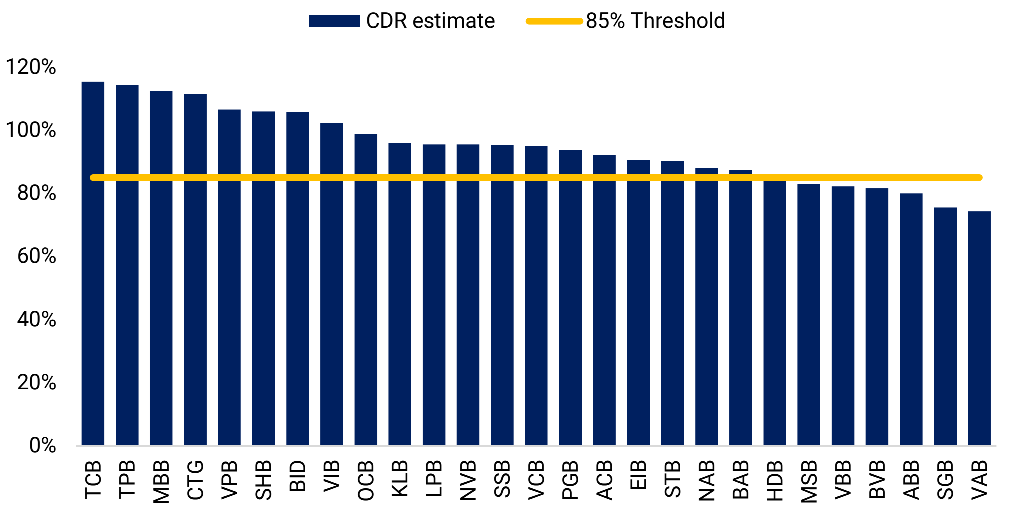
Note: >1Y loans have remaining maturity of more than one year as of 2025; Real estate-related loans include developer, construction and mortgage loans; (*) data is based on single financial statements
Source: Bank data, VIS Rating

Exhibit 6: Banks with granular retail/SME deposits and long-term fundings are better positioned for new requirements



Note: >1Y funding has remaining maturity of more than one year as of 2025; (*) data is based on single financial statements
Source: Bank data, VIS Rating

Exhibit 7: CDR compliance will tighten funding conditions during the transition



Note: Data is based on 2025 single financial statements; We apply standard haircuts to banks' valuable papers funding based on system-wide holdings and issuance
Source: VIS Rating estimates

APPENDIX

The banks included in our analysis are as follows:

	Short name	Full name	Classification
1	ABB	An Binh Commercial Joint Stock Bank	Small
2	ACB	Asia Commercial Joint-Stock Bank	Large
3	AGRIBANK	Vietnam Bank For Agriculture And Rural Development	State-owned
4	BAB	Bac A Commercial Joint Stock Bank	Small
5	BID	Joint Stock Commercial Bank for Investment and Development of Vietnam	State-owned
6	BVB	Viet Capital Commercial Joint Stock Bank	Small
7	CTG	Vietnam Joint-Stock Commercial Bank for Industry and Trade	State-owned
8	EIB	Vietnam Commercial Joint Stock Export Import Bank	Mid-sized
9	HDB	Ho Chi Minh City Development Joint Stock Commercial Bank	Large
10	KLB	Kien Long Commercial Joint Stock Bank	Small
11	LPB	Fortune Vietnam Joint Stock Commercial Bank	Mid-sized
12	MBB	Military Commercial Joint Stock Bank	Large
13	MSB	Vietnam Maritime Commercial Joint Stock Bank	Mid-sized
14	NAB	Nam A Commercial Joint Stock Bank	Mid-sized
15	NVB	National Citizen Commercial Joint Stock Bank	Small
16	OCB	Orient Commercial Joint Stock Bank	Mid-sized
17	PGB	Prosperity and Growth Commercial Joint Stock Bank	Small
18	SGB	Saigon Bank for Industry and Trade	Small
19	SHB	Saigon - Hanoi Commercial Joint Stock Bank	Large
20	SSB	Southeast Asia Commercial Joint Stock Bank	Mid-sized
21	STB	Saigon Thuong Tin Commercial Joint Stock Bank	Large
22	TCB	Vietnam Technological and Commercial Joint-Stock Bank	Large
23	TPB	Tien Phong Commercial Joint Stock Bank	Mid-sized
24	VAB	Vietnam Asia Commercial Joint Stock Bank	Small
25	VBB	Vietnam Thuong Tin Joint Stock Commercial Bank	Small
26	VCB	Joint Stock Commercial Bank for Foreign Trade of Vietnam	State-owned
27	VIB	Vietnam International Commercial Joint Stock Bank	Mid-sized
28	VPB	Vietnam Prosperity Joint Stock Commercial Bank	Large