

## Banking Sector

# Higher SMLR Cap Raises Banks' Funding and Liquidity Risks

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%<sup>1</sup>, and introduced broader credit support for selected infrastructure lending<sup>2</sup>. 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 (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 (Exhibit 4), as seen during the 2022 liquidity stress.

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<sup>3</sup> 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 rapid long-term loan growth, sizeable real estate-related exposure (e.g., VPB, OCB and VIB) or reliance on less stable corporate deposits (e.g., MSB) will face the largest stable-funding gaps (Exhibit 5). In contrast, banks with more granular retail deposits (e.g., HDB, ACB and LPB) and stable long-term funding profiles (e.g., MBB, TCB) are better positioned to meet new requirements (Exhibit 6). While several private banks have begun developing LCR and NSFR capabilities in recent years, only TPB currently 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 85% ceiling (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.

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<sup>1</sup> Refer to [Circular 25/2026/TT-NHNN](#)

<sup>2</sup> Refer to [Official Dispatch No. 5386/NHNN-TD 2026](#)

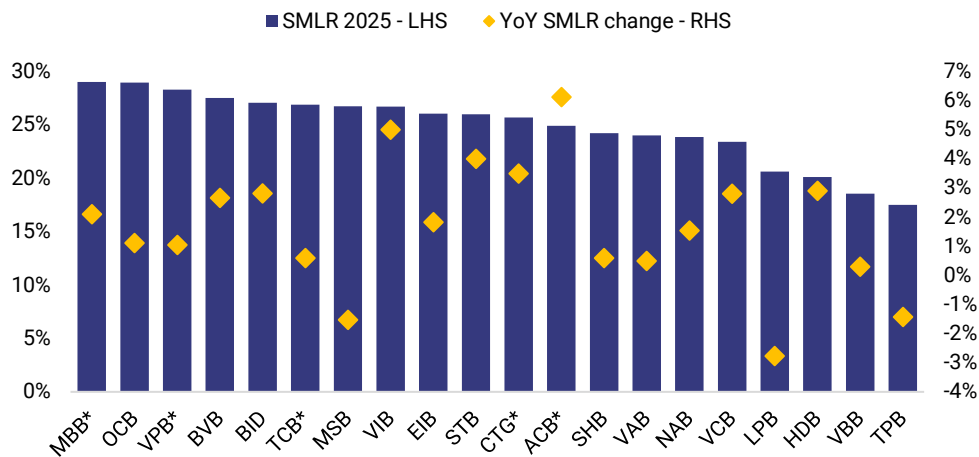
<sup>3</sup> Refer to [Draft replacement of Circular 22/2019/TT-NHNN](#)

**Exhibit 1: Key regulatory changes and credit implications**

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

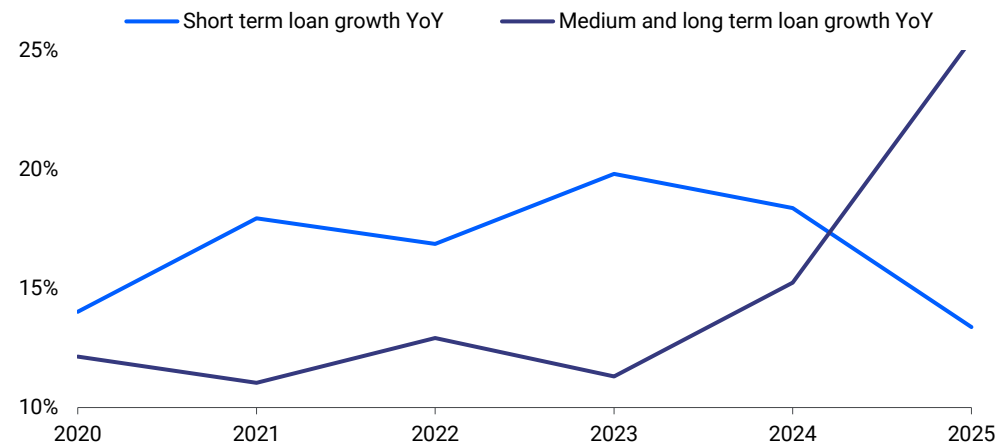
Sources: SBV, VIS Rating

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



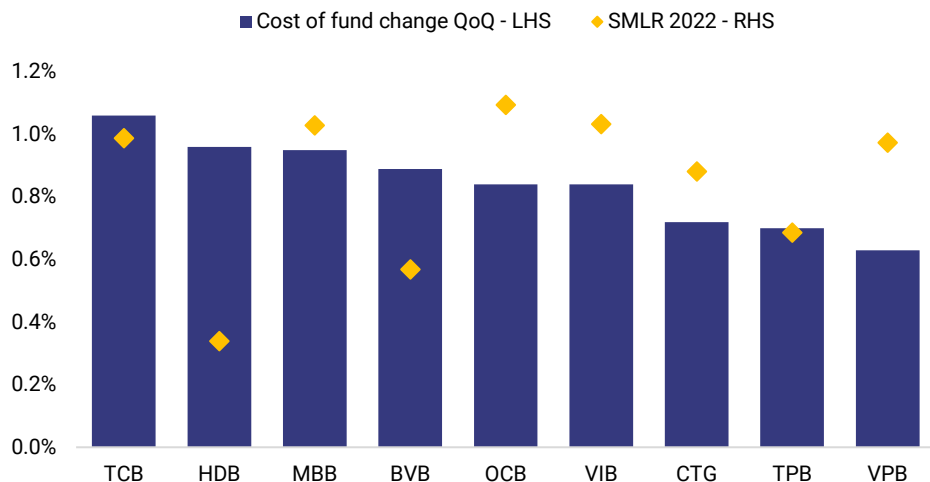
Note: \* data as of 1Q2026  
Source: Bank data, VIS Rating

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



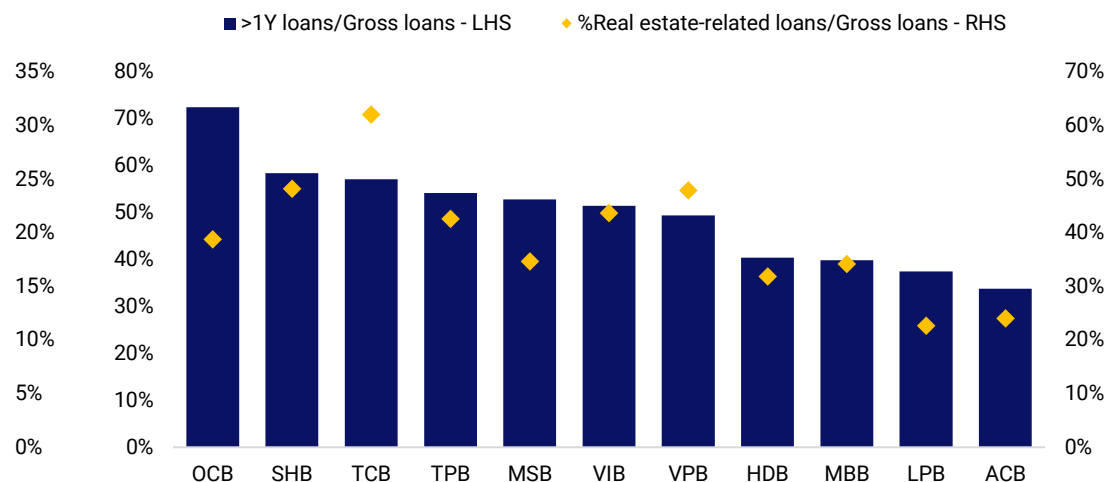
Note: Data covers 28 banks in the Appendix.  
Source: Bank data, VIS Rating

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



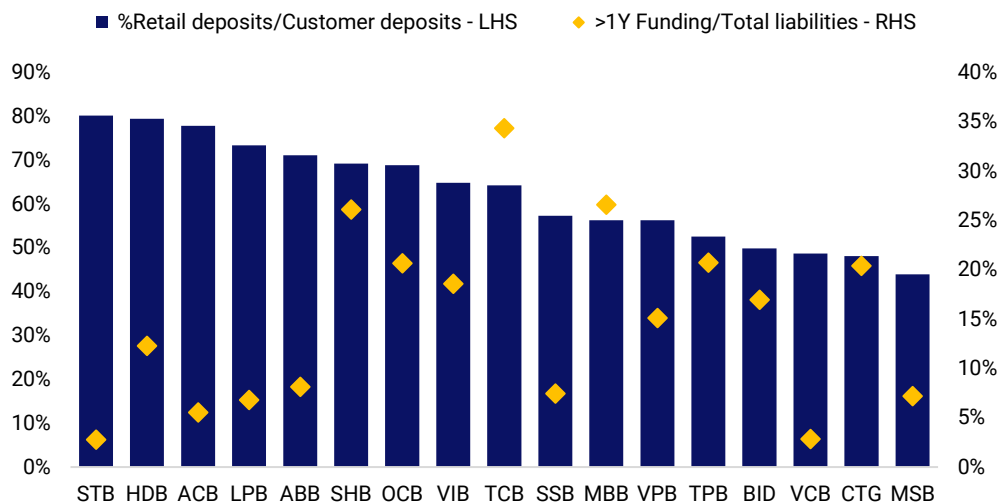
Note: 4Q2022 vs. 3Q2022 funding cost change  
Source: Bank data, VIS Rating

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



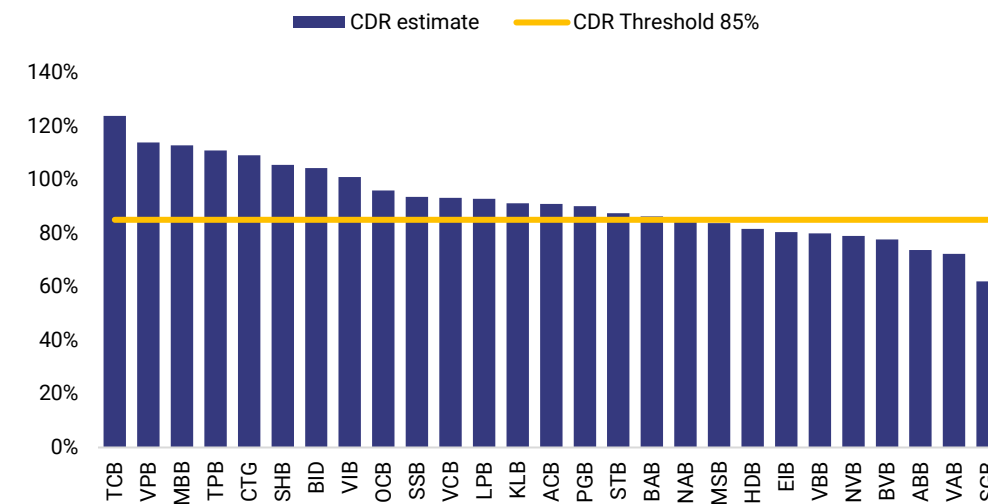
Note: >1Y loans have remaining maturity of more than one year as of 2025; Real estate-related loans include developer, construction and mortgage loans.  
Source: Bank data, VIS Rating

**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.  
Source: Bank data, VIS Rating

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



Note: Data as of 2025; 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:

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

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