

Banking Sector

Legal Reform to Enhance Bad Debt Recovery and Regulatory Intervention, a Credit Positive for Banks

On 27 June 2025, the National Assembly approved to revise the 2024 Credit Institution Law¹ (CI Law), significantly strengthening banks' ability to recover bad debts and empowering the State Bank of Vietnam (SBV) to intervene more effectively in struggling financial institutions (Exhibit 1).

The revised law restores banks' legal authority to seize undisputed collateral, including in certain criminal cases—a critical tool previously enabled by Resolution 42² (2017–2023).

During its tenure, Resolution 42 boosted monthly bad debt resolutions by 65% and increased voluntary repayments to 36% of total bad debts, up from 23% over 2012–2017 prior to its introduction (Exhibit 2).

Its expiration in December 2023 left banks reliant on borrower cooperation or protracted legal proceedings, sharply reducing recovery rates.

In H1 2024, banks addressed nearly half of their bad debts through provisioning and write-offs, accounting for 30–40% of their total equity on average (Exhibit 3 and 4). Coupled with the sluggish real estate market, bad debt recovery income also declined from 40% of total write offs in 2021–2022 to 27% in 2024 (Exhibit 5).

In addition, according to several banks (e.g., VPB), less than 30% of bad debts were taken to the courts for resolution. The court proceedings may take up to 5–7 years.

The revised law now reinstates banks' rights to seize collateral, facilitating quicker debt collection and improving asset quality and profitability, particularly for retail-focused banks with limited exposure to speculative projects.

From 2022 to 2025, problem loan ratios at banks such as ACB, HDB, OCB, VIB, VPB, and MBB rose from an average of 1.6% to 2.2%, driven by real estate-backed mortgages and retail business loans (Exhibit 6).

While residential real estate liquidation was supported by robust demand, banks faced challenges with hospitality-related collateral assets due to oversupply and cautious market sentiment.

Crucially, the revised CI Law also authorizes the SBV to issue special loans at 0% interest to distressed banks, enabling earlier regulatory intervention and reinforcing financial system stability.

We expect this legal reform will support bank profitability through improved debt recovery and lower operational costs, aided by a rebound in real estate transactions in 2025 (Exhibit 7).

CONTACTS

Phan Duy Hung, CFA, MBA

Director – Senior Analyst

hung.phan@visrating.com

Nguyen Duc Huy, CFA

Associate Analyst

huy.nguyen@visrating.com

Simon Chen, CFA

Head of Ratings & Research

simon.chen@visrating.com






<https://visrating.com>

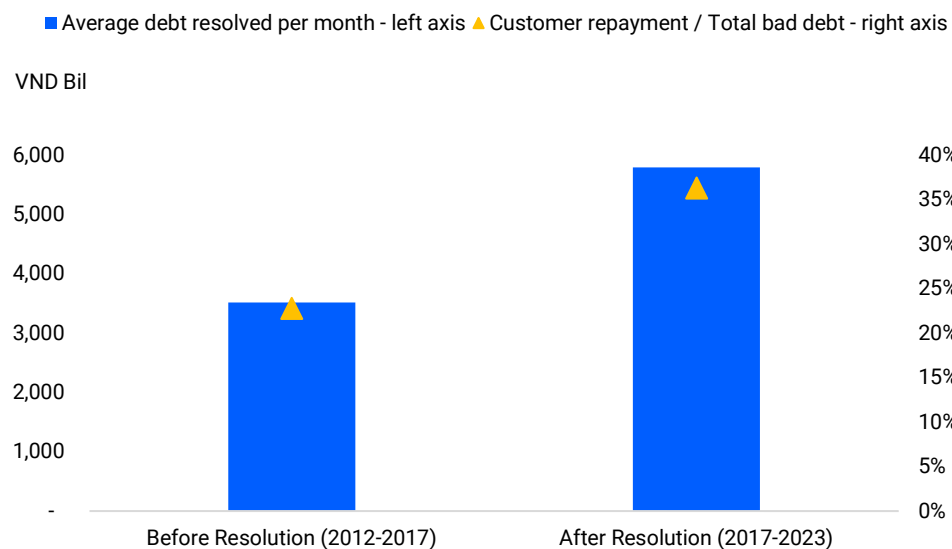
¹ Refer to [2024 Credit Institution Law](#)

² Refer to [Resolution 42/2017/QH14 piloting the bad debt handling of credit institutions](#)

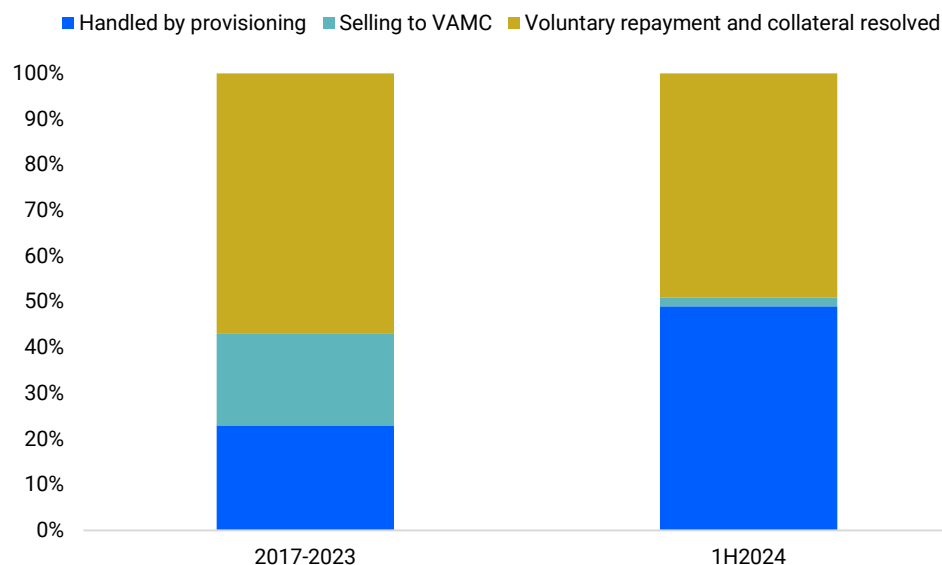
Exhibit 1: Summary of key changes in the revised law

Key policies	Details	Implication
 Collateral seizure	<ul style="list-style-type: none"> ➤ Credit institutions and their asset management company (AMC) are authorized to seize undisputed collaterals 	<ul style="list-style-type: none"> ➤ Support banks' bad debt recovery ➤ Improve banks' asset quality and profitability from faster, cost-effective collateral resolution
 Collateral protection	<ul style="list-style-type: none"> ➤ Collaterals shall not be taken to cover other obligations except for alimony, life/health compensation, or with creditor consent ➤ The prosecuting agency must return bad debt collateral (e.g., evidence, means of transport, etc) to the secured creditor upon request if it does not impact the criminal case 	<ul style="list-style-type: none"> ➤ Promoting creditors' rights on collaterals and debt collection progress
 Special loans	<ul style="list-style-type: none"> ➤ Authorize SBV to approve special loans with 0% interest rate to weak banks 	<ul style="list-style-type: none"> ➤ More SBV's power to support weak banks and maintain financial stability

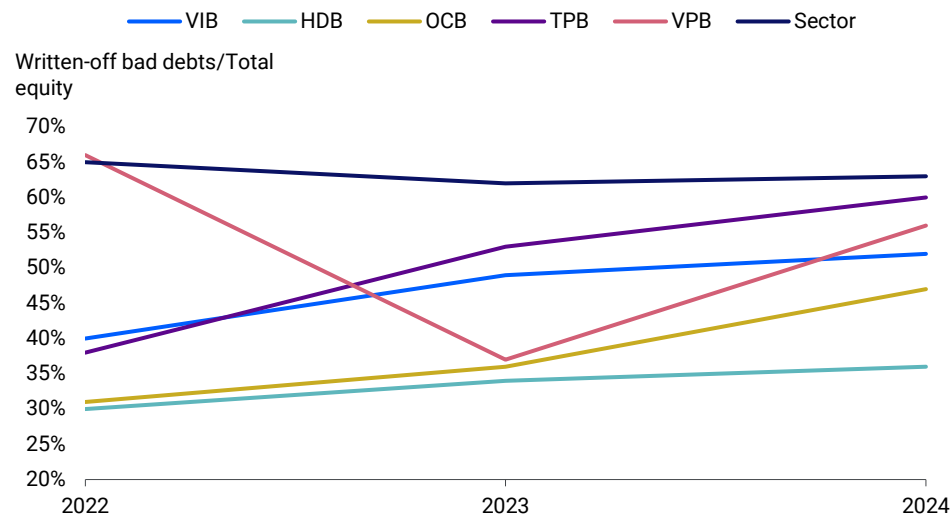
Source: Credit Institution Law, SBV, VIS Rating

Exhibit 2: Increased voluntary repayments by borrowers during Resolution 42

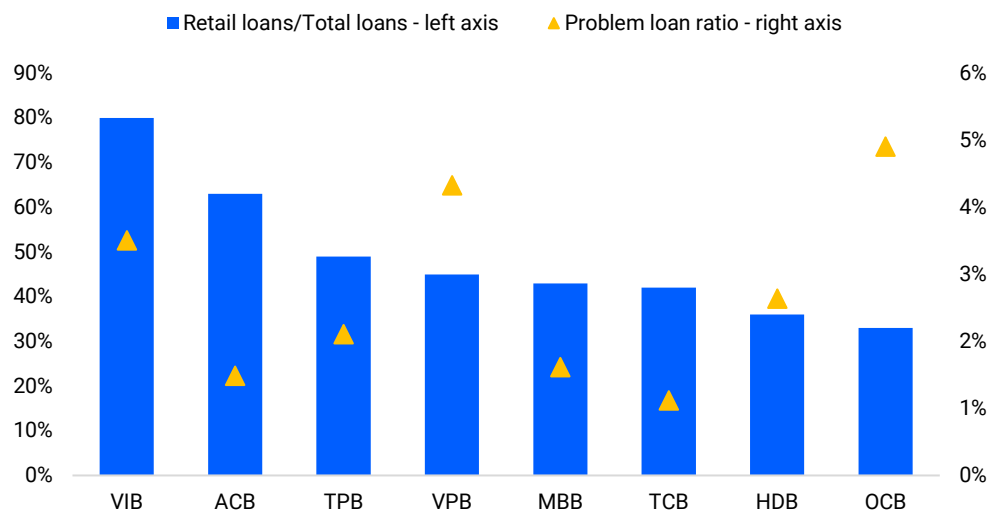
Source: SBV, Ministry of Jurisdiction, VIS Rating

Exhibit 3: Banks increased provision to handle bad debts after Resolution 42 expired

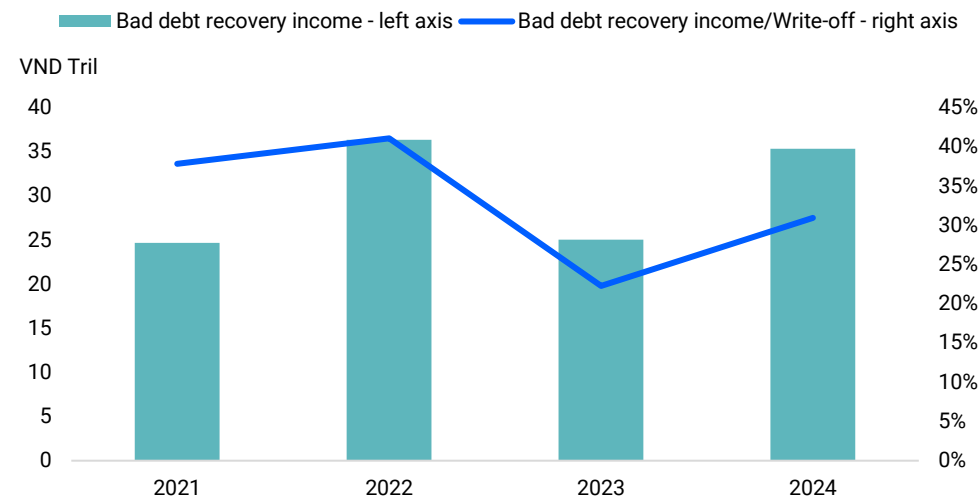
Source: SBV, Ministry of Jurisdiction, VIS Rating

Exhibit 4: Retail banks increased write-offs to address bad debts

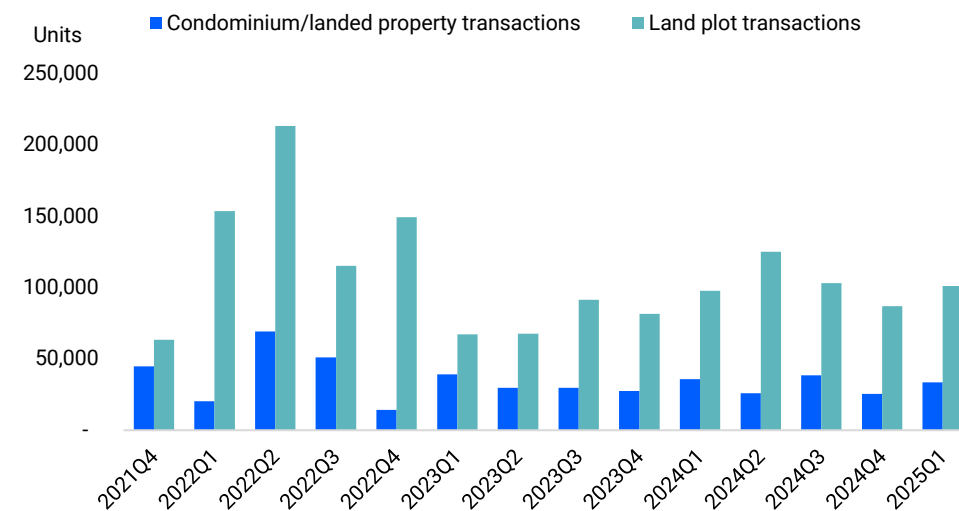
Source: Bank data, VIS Rating

Exhibit 6: Problem loan ratios from several retail-focused banks

Note: Data as of end-2024
Source: Bank data, VIS Rating

Exhibit 5: Lower bad debt recovery income in 2023-2024 given sluggish property market and lacking banks' rights to seize collaterals

Source: Bank data, VIS Rating

Exhibit 7: Improving real estate secondary transactions will support collateral sales for banks

Source: Ministry of Construction, VIS Rating

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

© 2025 Vietnam Investors Service And Credit Rating Agency Joint Stock Company (“Công Ty Cổ Phần Xếp Hạng Tín Nhiệm Đầu Tư Việt Nam” in Vietnamese) (“VIS Rating”). All rights reserved.

Moody's holds a 49% ownership stake in VIS Rating. A Technical Services Agreement is in place between the two companies, under which Moody's provides certain services, including technical assistance, to VIS Rating. However, Moody's is not involved in any particular VIS Rating credit rating or research processes. This report and the opinions expressed herein represent the independent views of VIS Rating and should not be attributed to any Moody's entities, directors, officers, or employees.

DISCLAIMER

CREDIT RATINGS ISSUED BY VIS RATING ARE OUR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, DEBT OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS OR OF ISSUER OF SUCH DEBTS OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS IN VIETNAM AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY VIS RATING (COLLECTIVELY, “PUBLICATIONS”) MAY INCLUDE SUCH CURRENT OPINIONS. VIS RATING DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE VIS RATING'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY VIS RATING'S CREDIT RATINGS. APART FROM FUNDAMENTAL RISKS NEEDED TO BE ASSESSED AS REQUIRED UNDER THE VIETNAMESE LAW (INCLUDING DECREE 88/2014 DATED 26 SEPTEMBER 2014 OF THE GOVERNMENT) ON CREDIT RATING SERVICES FROM TIME TO TIME, CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS (“ASSESSMENTS”), AND OTHER OPINIONS INCLUDED IN VIS RATING'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE FOR REFERENCES ONLY AND DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO INVEST INTO, CONTRIBUTE CAPITAL, PURCHASE, SELL, OR HOLD PARTICULAR DEBT INSTRUMENTS OR FINANCIAL INSTRUMENTS. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VIS RATING ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY OR DEBT INSTRUMENTS THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY NON-PROFESSIONAL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR NON-PROFESSIONAL INVESTORS TO USE VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN (INCLUDING INFORMATION OF VIS RATING AND/OR THIRD PARTIES WHO LICENSE VIS RATING TO INCORPORATE THE INFORMATION HEREIN (“VIS RATING'S LICENSORS”)) IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT PRIOR WRITTEN CONSENT OF VIS RATING OR VIS RATING'S LICENSORS. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by VIS Rating from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided “AS IS” without warranty of any kind. VIS Rating adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources VIS Rating considers to be reliable including, when appropriate, independent third-party sources. However, VIS Rating is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by VIS Rating.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY VIS RATING IN ANY FORM OR MANNER WHATSOEVER.

VIS RATING MAY MAKE MODIFICATIONS AND/OR CHANGES TO ITS PUBLICATION AT ANY TIME, FOR ANY REASON. HOWEVER, VIS RATING UNDERTAKES NO OBLIGATION (NOR DOES IT INTEND) TO PUBLICLY SUPPLEMENT, UPDATE OR REVISE ITS PUBLICATION ON A GOING-FORWARD BASIS. YOU ASSUME THE SOLE RISK OF MAKING USE OF AND/OR RELYING ON VIS RATING'S ASSESSMENTS, OTHER OPINIONS AND PUBLICATION.

VIS Rating maintains policies and procedures to address the independence of VIS Rating's credit ratings and credit rating processes. Information regarding, among others, entities holding more than 5% of the contributed charter capital of VIS Rating, any change to the shareholding ratios of entities holding more than 5% of the contributed charter capital of VIS Rating and a list of rated entities with a credit rating service charge accounting for over 5% of VIS Rating's total revenue from credit rating activities in the fiscal year prior to the time of information disclosure, are posted at <https://visrating.com/> under the heading “Corporate Disclosure”.



Empowering Better Decisions