

Assessment of Circular 25/2026 Easing Bank Prudential Limits

Circular 25/2026/TT-NHNN amending Circular 22/2019: raising the cap on short-term funds for medium/long-term lending to 40% & retaining Circular 08/2026's LDR mechanism

SECTOR: BANKING

POLICY FLASH NOTE

ISSUED · EFFECTIVE 1 JUL 2026

IMPACT ASSESSMENT ON THE SECTOR

Easing – Positive

Opens room for credit growth; traded off against higher liquidity risk

ST FUNDS → ML-TERM CAP

30% → 40%
Cap raised (Art. 16)

LDR – TREASURY DEPOSITS

20% counted
Kept from Circ. 08/2026

CLEAREST BENEFICIARIES

Big 4

VCB · BID · CTG · AGRB

1 WHAT'S NEW IN CIRCULAR 25/2026

- ▶ **Article 1 – Raising the cap on short-term funds used for medium- and long-term (ML-term) lending from 30% to a maximum of 40%.** This is the single biggest change and a substantive easing. The 30% level has applied since 1 Oct 2023 under Circular 08/2020's phase-down roadmap; Circular 25 **repeals that roadmap** and restores the cap to 40% (the same level as the 2020–2021 period).
- ▶ **Article 2 – LDR denominator (Article 20):** 80% of the State Treasury's term-deposit balance is excluded (i.e., **20% is counted in the denominator**), with an added clause "or another ratio as decided by the SBV Governor from time to time". In numerical terms this **fully carries over** the mechanism of Circular 08/2026 (effective 15 May 2026); the only new element is granting the Governor discretion to adjust the ratio. Circular 25 repeals and consolidates Circular 08/2026.
- ▶ **Updated legal basis** under the Law on Credit Institutions 32/2024/QH15 (as amended by Law 96/2025/QH15) and Decree 26/2025/ND-CP. **The Circular takes effect on 1 July 2026**, signed by Deputy Governor Doan Thai Son.

2 REGULATORY COMPARISON

Item	Previously (Circ. 22/2019 + 08/2020, 08/2026)	Circular 25/2026/TT-NHNN
Cap on ST funds for ML-term lending (Art. 16)	30% (since 1 Oct 2023, under Circ. 08/2020's phase-down roadmap)	Max 40% – repeals the Circ. 08/2020 roadmap
Exclusion of Treasury term deposits from the LDR denominator (Art. 20)	80% (Circ. 08/2026 from 15 May 2026 – i.e., 20% counted). Previously scheduled to exclude up to 100% from 1 Jan 2026	80% – unchanged + adds the Governor's discretion to adjust the ratio from time to time
Effective date	Current rules in force	From 1 Jul 2026

3 POSITIVE IMPACT & RISKS TO MONITOR

POSITIVE IMPACT

- + **Opens room for ML-term lending** (real estate, infrastructure, long-tenor projects): the 40% cap frees banks sitting near the 30% ceiling and supports credit growth.
- + **Eases pressure to raise long-term funding** (certificates of deposit, long-tenor bonds) that carries higher cost → supports cost of funds and NIM.
- + **Lower LDR** from counting an extra 20% of Treasury term deposits in the denominator → creates additional lending room (already in force from Circ. 08/2026; Circular 25 retains it).
- + **Operational flexibility:** the Governor's authority to adjust the Treasury ratio allows timely responses to system liquidity.

RISKS TO MONITOR

- **Higher maturity-mismatch and liquidity risk:** greater use of short-term funds to finance long-term assets.
- **Risk of excessive ML-term / real-estate credit growth** if internal risk management is lax.
- **LDR benefit concentrated in the Big 4:** private banks hold almost no Treasury deposits and gain little → widening the cost-of-funds advantage gap.
- **Policy uncertainty:** the Governor-discretion clause means the Treasury ratio could be tightened at any time, hard to forecast.

BENEFICIARIES & DEGREE

- **State-owned banks (Big 4 – Vietcombank, BIDV, VietinBank, Agribank):** a double benefit. They gain additional lending room from raising the cap on short-term funds for medium- and long-term lending to 40%, and a lower loan-to-deposit ratio (LDR) from holding the bulk of State Treasury deposits. Press estimates suggest the LDR mechanism of Circular 08/2026 alone opens up additional lending room of tens of trillions of dong for this group.
- **Private banks (Techcombank, ACB, MB, VPBank...):** benefit mainly from the higher 40% cap – material for banks with large short-term funding bases sitting near the medium- and long-term lending ceiling. This group gains little to nothing from the change in LDR calculation, as most of them hold no State Treasury deposits.

Sources: Circular 25/2026/TT-NHNN; Circular 22/2019/TT-NHNN; Circular 08/2020/TT-NHNN; Circular 08/2026/TT-NHNN.

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