

Vietnam Credit Stress

What bad loans reveal about companies
and the financing decisions facing both sides



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INSIDE THIS EXECUTIVE INSIGHT

EXECUTIVE PREMISE

Vietnam's credit problem is a joint management problem. Banks need to distinguish recoverable businesses from exposures kept current by refinancing; companies need to demonstrate repayment capacity before access to funding narrows. Better disclosure can initially increase reported distress while improving decisions. The governing question is how both sides can recognise economic weakness early enough to preserve viable activity, allocate losses honestly and fund a credible recovery.

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Evidence checked on 18 October 2026. Corporate financing and management analysis; system statistics include exposures beyond companies. The refinancing discussion is a bounded overview, and transaction eligibility requires review of the applicable Vietnamese rules and facts.

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EXECUTIVE LEAD

Recognise the risk before funding disappears

Vietnam's bad-loan figures matter beyond the balance sheets of banks. They can reveal where corporate cash generation has weakened, where debt is being sustained by refinancing and where lenders may become less willing to finance otherwise viable activity. Yet the headline non-performing loan ratio is an incomplete guide: credit growth, recognition practices, write-offs and the institutions included can all change it.

The immediate management task is to connect bank indicators with the economics of individual borrowers. Government policy now places greater emphasis on transparent asset quality, accrued-interest scrutiny and risk-based supervision, while a 2026 lending amendment clarifies the payment-extension condition for a specific refinancing route. These developments raise the value of reliable cash-flow evidence and early decisions. [5, 6]

Bank boards should govern recognition, recovery and new lending together. Company boards should treat refinancing as a conditional transaction, supported by demonstrable repayment capacity, rather than an assumed continuation of yesterday's relationship.

MANAGEMENT IMPLICATION

Require one reconciled account of cash generation, debt obligations and feasible funding. A payment record alone cannot establish economic viability.

EVIDENCE AND INTERPRETATION

A persistent problem with uneven recent movements

The medium-term warning is stronger than a single half-year comparison. The IMF's 2025 Article IV report records a system-wide on-balance-sheet NPL ratio of 2.3% in 2022, a peak of 5.9% in September 2023 and 5.3% in March 2025. That is partial recovery from a high level, rather than restoration of the earlier position. These figures include a different population from listed-bank samples and must not be spliced into one continuous series. [1]

More recent publications do not necessarily contain more recent observations. The Vietnam Banks Association's third-quarter briefing, published on 14 October 2026, still

uses end-June asset-quality figures. For its 27 listed banks, the direction is adverse across several measures. [2]

27 listed banks	End 2025	End June 2026
NPL ratio	1.86%	2.01%
Group 2 watch-list loans	1.17%	1.38%
Loan-loss reserve coverage of NPLs	82.9%	78.8%

Source: VNBA third-quarter 2026 briefing, section 5.3, printed p. 17. Publication date is not the observation date. VietTimes reports 1.85% for the opening NPL ratio; this table follows VNBA's 1.86%.

VNBA also reports a listed-bank NPL stock of approximately VND 310 trillion and accrued interest and fee receivables rising 36.1% year on year, faster than lending. The latter requires investigation, not an automatic conclusion that the receivables are uncollectable. [2]

There is meaningful counter-evidence. The same briefing reports the wider system's on-balance-sheet NPL ratio falling from 3.44% at end-2025 to 3.31% at June 2026, or 1.51% excluding five specially controlled banks. Different perimeters can therefore move differently. Neither the listed-bank deterioration nor the system improvement represents every institution. [2]

The World Bank's May 2026 update likewise describes improved reported asset quality alongside declining reserve coverage over three years. Its 28-bank sample showed an NPL ratio falling from 3.5% to 2.9% during 2025. It also reports 2025 real-estate lending growth of 42%, compared with 19% overall, with property representing 25.5% of loans. Sample differences preclude direct comparison with the VNBA table. [3]

The defensible conclusion is persistent, uneven vulnerability. Strong credit growth can dilute a ratio; recognition can lift it; write-offs and sales can reduce the on-balance-sheet stock. None independently establishes the cash recovered or the remaining economic loss. A reserve-coverage ratio below 100% is not itself a loss estimate: realistic collateral proceeds and other recoveries also matter.

CORPORATE DIAGNOSIS

Read bank data as a filtered signal

Bank statistics are a lagging, filtered measure of corporate health. They mix corporate, household and other exposures; they reflect classification, recognition and resolution

decisions as well as borrower performance. Using an aggregate NPL ratio as a direct estimate of the share of distressed Vietnamese companies would be analytically wrong. The diagnostic value increases when flows, cohorts and sectors can be separated. Track new problem loans against the performing opening book, migrations from watch-list status, repeated restructurings and actual recoveries. Distinguish cash collections from write-offs and sales. Where published data cannot support that reconciliation, retain the uncertainty rather than fill it with a confident national narrative.

Bank indicator	Possible company signal	Required cross-check
Watch-list migration and new NPLs	Debt-service pressure is emerging	Operating cash flow, customer arrears and refinancing needs
Repeated extensions	Original repayment profile is failing	Cause, revised affordability and implemented operating changes
Accrued interest rising unusually fast	Booked income may be outrunning cash	Collection history, ageing, terms and accounting treatment
Weak recoveries or collateral discounts	Repayment alternatives are losing value	Title, senior claims, sale time and net proceeds
Sector concentrations	Several exposures share one shock	Common customers, projects, guarantees and collateral

VIET TA diagnostic synthesis. These are investigation prompts, not automatic default classifications or statutory thresholds.

Company evidence should then distinguish three conditions. A timing mismatch can be addressed with a realistic payment profile. A viable operation carrying excessive debt needs capital restructuring. An operation that destroys cash before financing needs a change to the business itself, or an orderly exit. Sales growth, an asset valuation or a shareholder promise cannot substitute for this distinction.

Property exposure makes the distinction especially important. When repayment and collateral value depend on the same project or market, apparently separate protections can fail together. Conversely, an industrial borrower may be resilient despite weak property-sector aggregates. The unit of diagnosis is the borrower and its connected exposures, not a sector stereotype.

POLICY DIRECTION

Transparency changes what lenders can see

Decision 1809/QD-TTg of 18 September 2026 approves a banking-modernisation programme aimed at transparent institutions, earlier risk detection and improved access to finance, particularly for SMEs. The government's published account calls for scrutiny of large or long-outstanding accrued interest, faithful classification and provisioning, stronger collateral management and attention to related-party concentration. It also envisages greater use of payment and cash-flow data in lending. These are programme directions, not proof that every institution has already implemented them. [5]

Decision 1413/QD-TTg of 27 July 2026 sets a complementary financial-market reform direction: more transparent capital markets, stronger medium- and long-term funding channels, risk-based supervision and better financial infrastructure. Planned shared supervisory data infrastructure is a future objective, not a system assumed to operate today. [4]

The two ambitions are compatible over time but can create friction during transition. More faithful recognition may initially increase reported NPLs, constrain distributable earnings and expose a need for additional capital. That increase can reflect better visibility rather than a sudden equivalent deterioration in borrowers. Conversely, a stable ratio during rapid credit expansion may conceal unresolved weakness.

For companies, transparency should therefore be treated as a financing capability. Reconciled bank, tax and management accounts; a complete debt schedule; disclosed guarantees; and an intelligible ownership structure can reduce the uncertainty a lender must price. They cannot make an unprofitable operation solvent. The likely advantage is better differentiation between credible and weak cases, not a guarantee of cheaper credit for everyone.

Implementation creates a further asymmetry. Well-documented enterprises may gain access as data-based lending develops, while economically sound but poorly documented firms can still be excluded. Banks should improve evidence collection rather than mechanically confuse missing data with a failed business; borrowers must close the information gap before a refinancing deadline.

MANAGEMENT IMPLICATION

Better information should differentiate viable borrowers from weak repayment cases. It cannot substitute for sustainable cash generation.

REFINANCING AND LEGAL BOUNDARIES

One word describes different funding mechanisms

Borrower refinancing replaces or repays an existing debt with new funding. Central-bank refinancing supplies funding to a credit institution under a separate framework. A company's eligibility for a replacement loan does not establish its bank's access to SBV funding, and additional bank liquidity does not repair a borrower's solvency.

Lending to repay credit at the same institution is separately restricted by Article 8(5), subject to its narrow construction-interest exception. Rescheduling an existing obligation and issuing a new loan to repay it are legally different operations. [7]

Circular 29/2026/TT-NHNN, effective 15 August 2026, amends the customer-lending framework. Article 3 replaces the wording of the relevant condition in Article 8(6)(b) of Circular 39. It specifies that the old loan must not have had principal and/or interest payment periods extended, including extensions within an unchanged overall loan term, or its repayment extended beyond the agreed term. The broader early-repayment exception also requires the new loan term not to exceed the old loan's remaining term. The consolidated text places this exception in the rule concerning specified foreign loans and credit at another institution. [6, 7]

The amendment defines eligibility for this route. It does not establish a blanket ban on refinancing or a newly created prohibition on every restructuring. A bank still has to assess lawful purpose, repayment ability, its own credit policy and the applicable facts. Existing agreements have transitional treatment under Article 10 of Circular 29; amendments must comply with its requirements. [6]

Consider an illustrative manufacturer whose principal instalment was deferred while the final maturity stayed unchanged. Management may see an unchanged maturity and assume another bank can refinance it. The clarified payment-extension condition means that assumption cannot be made. The CFO and lender's legal team must test eligibility before including replacement funding as committed liquidity. If that route is

unavailable, negotiated restructuring, shareholder capital or asset disposal must be assessed on their own merits.

For banks, SBV loan-file refinancing is a separate policy instrument. Official consolidated instrument 90/2026/VBHN-TT-NHNN, dated 18 September 2026, concerns that framework. Consolidation is not, by itself, evidence of a new September entitlement or tightening. A bank should maintain its own verified eligibility, documentation and funding-contingency assessment; the existence of a central-bank facility is no basis for promising credit renewal to a customer. [8]

BANK MANAGEMENT RESPONSE

Resolve the borrower economics and protect lending capacity

The bank's first decision is whether a viable repayment engine remains. Relationship teams should provide customer knowledge, while credit risk independently tests cash generation, connected exposures and the proposed recovery route. A workout owner needs authority to coordinate legal, collateral and operating decisions within approved limits. Moving a file between departments without a decision owner loses time and value.

For a viable borrower with a timing mismatch, adapt debt service to evidenced cash generation where lawful. For a viable business with excessive debt, compare restructuring, new equity, partial disposal and a funded investor solution. For an unviable business, compare orderly exit, sale and enforcement using feasible net recoveries. Contractual rights, creditor ranking, approvals, completion funding and execution time can reverse an apparently attractive ranking.

Additional money requires a separate test. It should fund an identifiable value-preserving step, such as completing an economically justified project or restoring a profitable operating cycle. Specify the source, conditions, use of proceeds and evidence that will stop further disbursement. New lending used merely to maintain an appearance of payment continuity can increase the ultimate loss.

Reserve adequacy, capital capacity and bank funding must be governed alongside recovery. Scenario analysis should connect new defaults, collateral realisation, recovery delays and deposit or wholesale-funding pressure to lending capacity. The response need not be indiscriminate credit withdrawal: protecting funding for demonstrably

viable borrowers can preserve customer value and future recoveries. That is a portfolio decision subject to the bank's constraints, not an argument for relaxing recognition.

The economic decision rule is straightforward: choose the lawful and executable route with the strongest expected net recovery after costs, time, funding needs and downside risk. A sale can transfer servicing and recovery risk only to the extent the transaction genuinely transfers them. A write-off recognises a loss in accounting; it does not establish that the debtor has paid. Neither transaction volume nor a falling NPL ratio alone demonstrates successful resolution.

COMPANY MANAGEMENT RESPONSE

Prepare for the credit decision before the maturity

A borrower can be affected before receiving a rejection. A lender may seek more evidence, revise collateral requirements, shorten a proposed commitment or limit an increase. These are transmission scenarios, not a claim that every Vietnamese bank is applying each measure. Companies dependent on short-term renewals to fund long-lived assets or slow receivables are particularly exposed to a change in lender appetite.

The CFO should build a reconciled cash forecast covering the operating cycle and material debt maturities. Separate signed, available commitments from indicative terms and assumed renewals. Show interest, tax, supplier obligations, guarantees, cross-default provisions and cash trapped in subsidiaries or projects. A consolidated cash balance can overstate the amount available to the actual borrower.

Operating management must own the cash conversion behind the forecast. Resolve disputed receivables, unprofitable orders, inventory that cannot be sold at assumed prices and projects consuming completion cash. A financing negotiation cannot replace these decisions. Conversely, cutting productive working capital indiscriminately can damage the very earnings needed for repayment.

Owners must decide which losses and capital needs they will absorb. Put verified equity, asset disposals and credible strategic-investor options ahead of unsupported promises. Approach lenders while alternatives still exist and explain what changes repayment capacity, who controls delivery and what evidence will demonstrate progress. Do not wait for missed instalments to reveal information the company already has.

The same discipline applies beyond one's own borrowing. Suppliers can be exposed through a customer's deteriorating payment cycle; acquirers through guarantees and refinancing obligations; foreign parent companies through trapped cash or connected support commitments. Check those specific links. National NPL statistics are a reason to investigate counterparties, not a reason to label all Vietnamese partners unsafe.

INTEGRATED ACTION AGENDA

Make the next financing decision jointly credible

The practical sequence is evidence, viability, financing and execution. Establish the facts before choosing a route; determine whether the business can support the resulting obligations; secure the necessary approvals and funding; then release money against the agreed operating evidence. Parallel work is useful, but an unverified refinancing assumption must not become the foundation of the cash plan.

Decision point	Bank responsibility	Company responsibility
Establish the position	Reconcile exposures, classification and security	Reconcile cash, debt, guarantees and payment history
Test viability	Challenge repayment and recovery assumptions	Show sustainable cash after operating needs
Choose the route	Compare lawful, funded recovery alternatives	Commit operating changes and realistic capital
Approve and execute	Set authority, conditions and disbursement controls	Assign accountable delivery and evidence owners
Respond to deterioration	Reassess promptly when agreed evidence fails	Disclose deviations before liquidity is exhausted

VIET TA management synthesis. Timing and review frequency follow the exposure, operating cycle and contractual milestones; this is not a mandatory fixed-day programme.

Board reporting should then distinguish payment continuity from risk reduction. Useful evidence includes cash collected, sustainable debt-service capacity, new default formation, recoveries net of cost and capital genuinely released. Each measure needs a clear perimeter and owner. An agreed trigger should change a decision: a failed equity contribution, delayed project approval or material forecast miss may require escalation, a revised route or a stop to new money.

For the wider economy, the aim is to prevent weak exposures from absorbing the capacity needed by viable firms. An orderly recognition process can be painful for particular borrowers and shareholders while improving allocation over time. Its success depends on execution, bank capital, credible alternatives and transparent loss allocation, rather than on optimistic aggregate targets alone.

FINAL TAKEAWAY

Transparency matters when it changes a decision

Vietnam's credit-stress indicators justify sustained attention, while differences in populations and recognition prevent a simple story of uninterrupted deterioration. The most useful question is which businesses can generate repayment cash, under what debt structure, and with which executable funding route.

Banks preserve value by recognising weakness early and financing credible recovery selectively. Companies preserve strategic freedom by making their economics, obligations and funding assumptions verifiable before renewal becomes urgent. Greater transparency can expose more trouble at first. Its lasting value comes when that visibility produces earlier operating decisions, realistic capital commitments and a better allocation of credit.

EVIDENCE AND SOURCES

Evidence and sources

Sources were checked on 18 October 2026. Bracketed numbers identify evidence; recommendations, scenarios and diagnostic tests are VIET TA synthesis. Vietnamese enacted wording governs legal interpretation.

- [1] [IMF Country Report 25/283](#). October 2025, paragraph 19, printed p. 12. Historical system NPL series.
- [2] [Vietnam Banks Association third-quarter 2026 briefing](#). 14 October 2026, section 5.3, printed p. 17. Observations: end-June 2026.
- [3] [World Bank Viet Nam Economic Update](#). May 2026, printed pp. 15-17, Figure 41 and Box 2. Distinct 28-bank sample.
- [4] [Government financial-market reform programme](#). Official account, 28 July 2026, of Decision 1413/QD-TTg dated 27 July 2026.
- [5] [Government banking-modernisation programme](#). Official account of Decision 1809/QD-TTg, 18 September 2026, banking-modernisation and credit-quality directions.
- [6] [SBV Circular 29/2026/TT-NHNN](#). 30 June 2026; effective 15 August 2026. Articles 3, 9 and 10, signed Vietnamese text, pp. 1-3.
- [7] [SBV consolidated customer-lending circular 86/VBHN-NHNN](#). 30 June 2026; Article 8(5)-(6), printed pp. 9-10; Circular 29 amendment effective 15 August.
- [8] [Official Gazette consolidated instrument 90/2026/VBHN-TT-NHNN](#). 18 September 2026. Identifies the separate SBV loan-file refinancing framework; consolidation is not a new commencement.