trueFriend KIS Viet Nam Securities Corporation

Sector
Brief

14 Oct 2025

Banking

Neutral (Maintain)

New standards for the capital adequacy ratio

Improve banks' capital and risk management quality

To align Vietnam's banking system with the Basel III standards, the State Bank of Vietnam (SBV) has issued Circular 14/2025, which takes effect on September 15, 2025, and will officially replace Circular 41/2016 on January 1, 2030, though banks that meet the prudential eligibility criteria may opt for early adoption. This marks a significant milestone in strengthening the prudential framework for domestic banks and aligning Vietnam's banking system with international standards.

Enhancing banks' resilience and capital quality: Circular 14/2025 refines the previous capital adequacy framework introduced under Circular 41/2016 by emphasizing Common Equity Tier 1 (CET1) as the core component of total regulatory capital and introducing phased-in capital buffers, including the Capital Conservation Buffer (CCB) and Countercyclical Buffer (CCyB), to ensure banks sustain sufficient capital buffers across economic cycles.

Introduces alternative approaches for assessing credit risk: The circular also allows banks to adopt the Internal Ratings-Based (IRB) approach alongside the Standardized Approach (SA). This dual application improves capital efficiency, strengthens risk governance, and enhances competitiveness by allowing lower capital charges to be applied to low-risk exposures.

Recalibrates risk weights for priority sectors: Circular 14/2025 also recalibrates credit risk weights for specific borrower groups, incentivizing banks to prioritize lending to strategic sectors such as social housing, SMEs, and agriculture. This aligns with the objectives of Resolution 68 of the Politburo, which underscores to promote the private sector development.

More required capital buffers and advanced risk management

The implementation of Circular 14/2025 issued by SBV is expected to have three main effects: 1) pressure to raise capital due to higher standards, 2) Opportunities for capital optimization thanks to more flexible calculation methods, and 3) Expansion of credit space for certain key sectors. Regarding to higher capital requirement, banks with lower CARs are likely to face stronger pressures to raise capital to meet the new ratio requirement, particularly BID, CTG, PGB, ABB, and STB.

Among state-owned commercial banks (SOCBs), VCB remains the most resilient, maintaining a CAR above peers and being the first bank to register for early adoption of Circular 14/2025. Meanwhile, both BID and CTG may face greater challenges, as their CARs are currently the lowest within the sector.

Among private-sector banks, VPB has also registered for early adoption and ranks among Vietnam's strongest in terms of capital adequacy. In addition, TCB, ACB, and TPB follow as notable peers, maintaining this ratio at robust and stable levels.

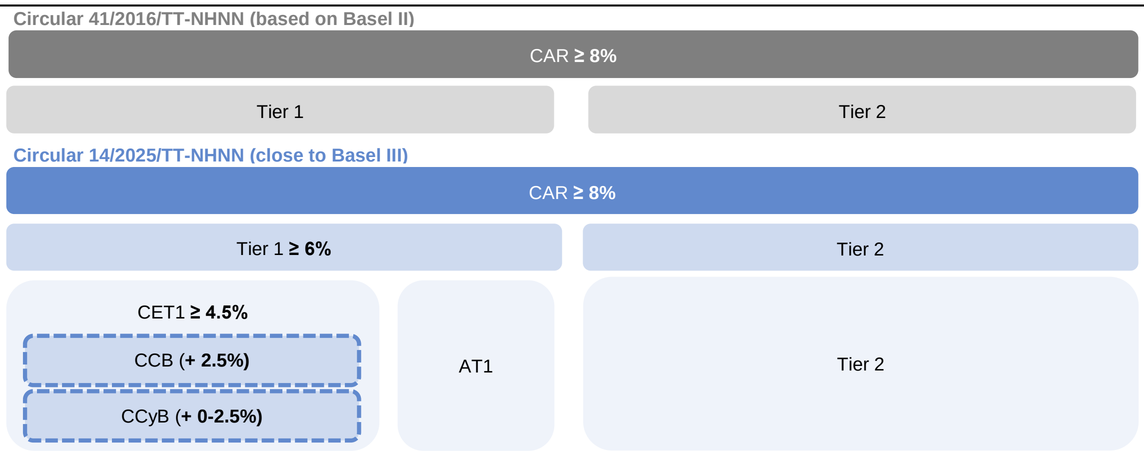
Research Dept
researchdept@kisvn.vn

Table 1: Main amendments in Circular 14/2025/TT-NHNN compared to Circular 41/2016/TT-NHNN

Main amendments	Circular 41/2016/TT-NHNN	Circular 14/2025/TT-NHNN	Effect
Changes in structure of Capital Adequacy Ratio (CAR)	Introduce Tier 1 and Tier 2 capital but without specific regulations for each type.	- Adopts Basel III standards; emphasizes CET1 as core capital and introduces CCB and CCyB to ensure long-term capital resilience. - Imposes stricter regulations on the quality of capital.	Strengthens banks' resilience and capital quality but tightens dividend payouts and growth for undercapitalized institutions.
Enhancing credit risk management through IRB adoption	Only applies the SA approach for credit risk measurement; risk weights are predefined by the regulator.	- Allows parallel application of IRB and SA; enables banks to internally estimate Expected Loss (EL) and Risk-Weighted Assets (RWA) if they meet the prescribed conditions. - RWA calculated using the IRB approach must not be lower than 72.5% of the result calculated using the SA approach.	- Encourages advanced risk modeling and data infrastructure, enhances risk sensitivity, and differentiates capital requirements based on actual borrower risk characteristics. - At the same time, it imposes constraints to prevent commercial banks from intentionally manipulating RWA under the IRB approach to produce more favorable but riskier figures for business operations.
Adjust the credit risk weights (CRWs) applied to specific loan categories	Risk weights applied uniformly by asset class; no specific alignment with government development priorities.	Adjusts credit risk weights to prioritize social housing, SMEs, and agricultural sectors.	Redirects credit toward prioritized entities and inclusive sectors while tightening lending to speculative real estate, aligning banking growth with national policy goals as stipulated in Politburo Resolution 68 on private sector economic development.
Incorporate gold price fluctuations into foreign exchange risk (market risk)	Only regulate foreign exchange risk to include exchange rate risk	Extend Circular 41 to include gold price risk alongside interest rate risk within the scope of foreign exchange risk	Expand the scope of regulation to identify market risks, specifically foreign exchange risk, in the context of recent gold market reforms, the roadmap for establishing the National Gold Exchange, and Decree 232/2025/NĐ-CP, which permits eligible banks and enterprises to produce and trade gold bars.

Source: SBV, KIS VN

Table 2: New regulations on the structure of the Capital Adequacy Ratio



Source: SBV, KIS VN

Table 3: Components of the Capital Adequacy Ratio under Circular 14/2025/TT-NHNN

<table>
<tr><th colspan="2">CET1
(Going concern)</th><th colspan="2">AT1
(Going concern)</th><th colspan="2">Tier 2 Capital
(Gone concern)</th></tr>
<tr><td colspan="2">Provides the highest quality loss absorption on a going-concern basis, meets the strictest criteria, and primarily includes common shares and retained earnings.</td><td colspan="2">Provides loss absorption on a going-concern basis but does not meet all criteria of CET1 and only includes perpetual contingent convertible debt instruments.</td><td colspan="2">When a bank fails, Tier 2 instruments must absorb losses before depositors and general creditors, with less stringent requirements than AT1, allowing only instruments with a maturity date.</td></tr>
<tr><td colspan="2">Include following elements</td><td colspan="2">Criteria for inclusion</td><td colspan="2">Criteria for inclusion</td></tr>
<tr><td>Common stock</td><td>Issuance surplus related to common stock</td><td colspan="2">Subordinated to depositors, general creditors and subordinated debt of the bank</td><td colspan="2">Subordinated to depositors, general creditors and subordinated debt of the bank</td></tr>
<tr><td>Retained Earnings</td><td>Accumulated OCI</td><td colspan="2">Not include payment of dividends or interest that is not entirely at the discretion of the bank</td><td colspan="2">Minimum original maturity of at least 5 years</td></tr>
<tr><td colspan="2">Certain adjustments including deduction of intangible assets and deferred tax assets</td><td>Perpetual (no maturity date)</td><td>Other criteria</td><td colspan="2">Other criteria</td></tr>
</table>

Source: BIS, SBV, KIS VN

Table 4: Modifications to CAR regulations across the two circulars

Components	Circular 41/2016/TT-NHNN	Circular 14/2025/TT-NHNN
CET1 (Common Equity Tier 1)	Not specified	≥ 4.5% before CCB and CCyB ≥ 9.5% after CCB and CCyB are fully implemented
AT1 (Additional Tier 1)	Not specified	Defines AT1 as loss-absorbing, perpetual capital under Tier 1, supplementing CET1 in line with Basel III
Total Tier 1 Capital (CET1 + AT1)	Not specified	≥ 6% before CCB and CCyB ≥ 11.0% after CCB and CCyB are fully implemented
Total Tier 2 Capital	Not specified	Not specified
CCB (Capital Conservation Buffer)	Not specified	Gradually required to increase over 4 years up to 2.5% of CET1.
CCyB (Countercyclical Capital Buffer)	Not specified	Additional up to 2.5% in CET1, as prescribed by the Governor of the SBV for each period
Total Capital (Tier 1 + Tier 2)	≥ 8%	≥ 8% before CCB and CCyB ≥ 13.0% after CCB and CCyB are fully implemented

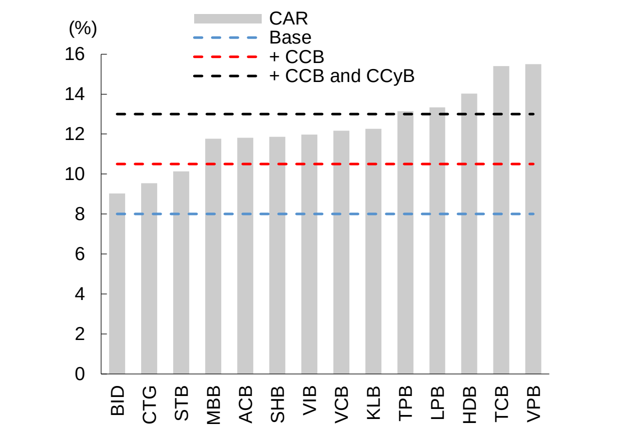
Source: SBV, KIS VN

Table 5: Capital Adequacy Ratio required upon implementation of Circular 14/2025/TT-NHNN

Implementation year	First year	Second year	Third year	Fourth year
CCB (Capital Conservation Buffer)	0.625%	1.25%	1.875%	2.5%
CCyB* (Countercyclical Capital Buffer)	2.5%	2.5%	2.5%	2.5%
Common Tier 1 capital (CET1 + CCB + CCyB)	≥ 7.625%	≥ 8.25%	≥ 8.875%	≥ 9.5%
Total Tier 1 capital (CET1 + CCB + CCyB + AT1)	≥ 9.125%	≥ 9.75%	≥ 10.375%	≥ 11.0%
CAR	≥ 11.125%	≥ 11.75%	≥ 12.375%	≥ 13.0%

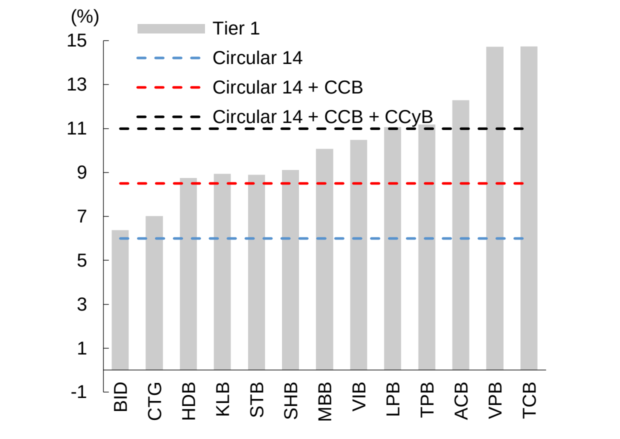
Source: SBV, KIS VN
Note: (*) CCyB is assumed to be set at the maximum level.

Figure 1. CAR of banks under Circular 14



Source: Banks, KIS VN
Note: Data sourced from the 4Q24 reports of banks

Figure 2. Tier 1 capital of banks under Circular 14



Source: Banks, KIS VN
Note: Data sourced from the 4Q24 reports of banks

Table 6: Adjust CRW for certain business sectors.

Assets	Circular 41/2016/TT-NHNN	Circular 14/2025/TT-NHNN
Claims on real estate loans for social housing	30 – 100%	20 – 50%
Claims on real estate loans for residential housing		25 – 100%
Claims on loans of SMEs	90%	85%
Personal loans serving agriculture and rural development	Not specified	50%

Source: SBV, KIS VN

Table 7: Circular 14/2025 Implementation timeline

Time Stamp	Description
30/06/2025	**Circular is issued**
15/09/2025	**Circular took effect** VCB, VPB, and KLB registered for early adoption
01/01/2030	**Circular is officially implemented across the banking sector**

Source: SBV, KIS VN

- **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**
  - BUY: Expected total return will be 15% or more
  - Hold: Expected total return will be between -5% and 15%
  - Sell: Expected total return will be -5% or less
  - KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

- **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**
  - Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
  - Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
  - Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

- **Analyst Certification**

  I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

- **Important compliance notice**

  As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

  There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

  KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

  KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

  KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

  KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 14 Oct 2025.
  KIS Vietnam Securities Corp. has not provided this report to various third parties.
  Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 14 Oct 2025.
  KIS Vietnam Securities Corp. has not issued CW with underlying stocks and is not the liquidity provider.

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client’s judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong’s SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).