

ESTABLISHING FOREIGN BANK PRESENCE IN VIETNAM



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01 Overview of Banking Sector in Vietnam



The year 2024 marked significant successes for Vietnam's banking sector, demonstrated by several key achievements:

Inflation Control: Effective State Bank of Vietnam (SBV) monetary policy successfully contained inflation. The Consumer Price Index (CPI) rose by 3.63% for the full year 2024, falling below the government's target. Looking ahead, the National Assembly has targeted CPI growth for 2025 to be around 4.5%, while the Ministry of Finance forecasts an average CPI increase between 3.83% and 4.5% for the year, with some experts anticipating it could be around 3.9% or even lower.

Credit-Supported Growth: Outstanding credit grew by a strong 15.08% by the end of 2024 compared to end-2023, playing a crucial role in sustaining a high GDP growth rate of approximately 7.09% in 2024, outperforming many countries in the region and globally. For 2025, the SBV has set a credit growth target of approximately 16% for the entire banking system to further support economic expansion. Vietnam's GDP growth is projected by the World Bank at 6.8% for 2025, while the OECD forecasts 6.2%. The government, meanwhile, aims for an ambitious GDP growth of at least 8%.

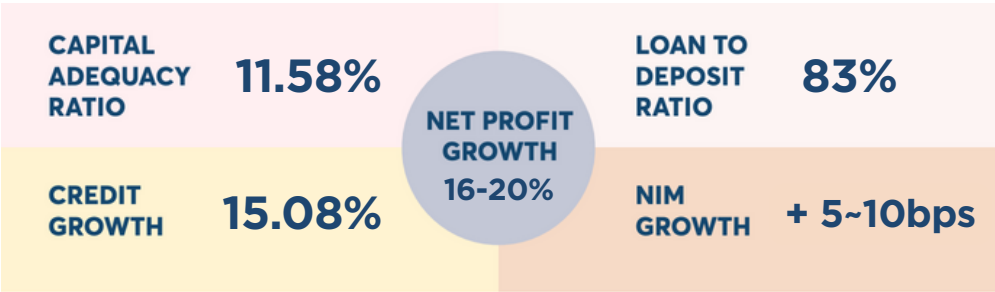
Lower Interest Rates: Average lending rates in 2024 were significantly reduced. While overall lending rates saw a decline of around 0.6 percentage points, state-owned commercial banks, in particular, led the reduction with nearly 1 percentage point lower average lending rates compared to those at the end of 2023, easing financing costs for businesses. This trend continued into Q1 2025, with lending interest rates decreasing by an additional 0.4% compared to end-2024. The SBV continues to encourage cost reductions to allow for further rate cuts, and international forecasts suggest that monetary easing could be considered if global interest rates decline.

Relatively Stable Exchange Rate: Despite considerable volatility in international markets in 2024, the exchange rate remained primarily stable due to the SBV's interventions, including the sale of around USD 9.4 billion in 2024, which helped maintain foreign exchange reserves near USD 80 billion and limited large fluctuations of the Vietnamese Dong. For 2025, the SBV is expected to continue its flexible and prudent management of monetary policy to ensure financial market stability and allow exchange rate flexibility as the economy adapts to external shocks.



Key Performance Indicators

Key performance indicators for Vietnam’s banking sector, based on recent data and forward-looking projections for 2025, reflect a dynamic and evolving landscape:



Capital Adequacy Ratio (CAR): As of end-August 2023, the average CAR for Vietnamese credit institutions (calculated under Circular 41/2016) was about 11.58%. While a consolidated average for early 2024 is not publicly available, banks continue to work towards strengthening their capital buffers.

Credit Growth: Outstanding credit grew 15.08% by end-2024 versus end-2023, playing a crucial role in economic recovery. Looking into 2025, the State Bank of Vietnam (SBV) has targeted a credit growth of approximately 16% for the entire banking system, to further support economic expansion and align with the government’s GDP growth ambitions (e.g., a target of at least 8% GDP growth for 2025). Early indicators for H1 2025 show credit growth exceeding 7% (7.14% by June 18, 2025), signaling strong momentum.

Loan-to-Deposit Ratio (LDR): By end-2024, State-owned Commercial Banks’ (SOCBs) LDR reached 83%, nearing the 85% regulatory cap. For the broader system, LDR was around 77%-83%. In 2025, LDRs are expected to remain a key area of management as banks balance deposit mobilization with strong credit demand, particularly as some regulatory calculations (e.g., proportion of Treasury deposits) may adjust, potentially impacting SOCB’s capacity for further credit expansion.

Net Interest Margin (NIM): Average NIM across banks declined slightly in 2023 due to undisbursed credit and continued to face pressure in early 2024, showing limited recovery or remaining broadly flat to slightly down. For 2025, NIMs are forecast to see a modest recovery, potentially rising by 5-10 basis points, supported by better control of funding costs and increasing credit demand, though the low interest rate environment early in the year continues to present challenges.

Net Profit Growth: Listed banks’ profit after tax rose roughly 16-20% in 2024 (sector average), though individual bank performance varied significantly. For 2025, the banking sector’s profitability is forecast to improve slightly, with some reports projecting a sector average profit growth of around 17-21%, driven by accelerating credit growth and improved asset quality. Q1 2025 results show corporate profits, led by the banking sector, soaring by an average of 21% for reporting banks.

Interest Rates (beyond NIM): While the average lending rates were significantly reduced in 2024, this trend has continued into Q1 2025, with lending interest rates decreasing by an additional 0.4% compared to end-2024. The SBV continues to encourage commercial banks to reduce operational costs to create room for further reductions, fostering a low-interest rate environment to support businesses.

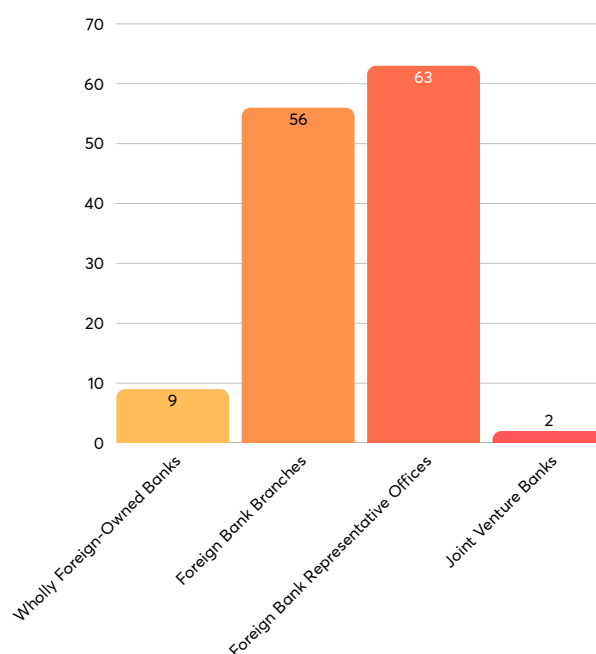
Current Bank Presence

As Vietnam continues its deep integration into the global economy, the presence of foreign banks within its financial landscape remains a testament to the country's growing appeal. While historical snapshots have provided valuable insights into the market entry modes – ranging from Representative Offices and Branches to Joint Venture Banks and Wholly Foreign-Owned Banks – it is crucial to recognize the dynamic and evolving nature of this sector.

The banking system has seen a continuous wave of foreign engagement since its opening in 1990, notably accelerating after Vietnam's WTO accession in 2007. This has led to shifts in the composition and scale of foreign bank operations.

Based on updated figures from the **State Bank of Vietnam (SBV)** as of March 30, 2025:

- The number of **Wholly Foreign-Owned Banks** stands at 9, indicating a significant commitment from international financial institutions.
- There are 56 **Foreign Bank Branches** actively contributing to the Vietnamese market.
- The presence of **Foreign Bank Representative Offices** remains substantial, with 63 currently operating.
- The count of **Joint Venture Banks** has remained stable at 2, reflecting a more mature and less frequently adopted entry model in recent years compared to wholly-owned structures.



It is important to note that these specific, consolidated figures are periodically disclosed by the State Bank of Vietnam and can fluctuate as new licenses are granted or operational structures evolve. The discernible trend continues to point towards an expanding and deepening engagement of foreign financial institutions, underscoring Vietnam's robust economic fundamentals and attractive investment climate for the banking sector.



02

Guidelines On Establishment Of Foreign Banks Presence in Vietnam

Vietnam's financial sector continues to attract significant foreign investment, with the regulatory framework evolving to facilitate and supervise this presence. The primary modes of market entry for foreign banks have been further refined and clarified, notably with the enactment of the [Law on Credit Institutions 2024](#) (effective July 01, 2024) and guiding decrees such as [Decree 69/2025/ND-CP](#) (effective from March 19 or May 19, 2025, depending on the provision). These updates provide a more detailed and contemporary understanding of the requirements and processes involved.

The principal market entry modes for foreign banks in Vietnam, along with their updated characteristics, are as follows:

A. Description of Market Entry Modes:

1. Representative Office (RO)

A representative office remains the most limited form of setup, primarily designed for liaison activities, market research, and promotion of cooperation initiatives. It is strictly prohibited from engaging in any profit-generating transactions or direct business operations. To establish an RO, the parent bank must hold a valid legal operating license in its home country and satisfy specific financial capacity and governance requirements as guided by the State Bank of Vietnam (SBV). The licensing process typically takes approximately [30–60 working days](#) after submitting a complete application; however, this period may be extended if the SBV requires additional information or clarification.



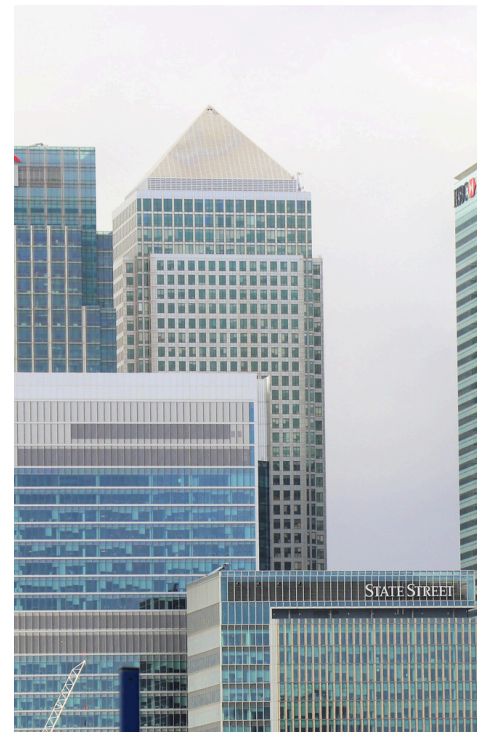
2. Foreign Bank Branch

Foreign bank branches offer a more comprehensive range of services compared to representative offices, enabling direct business operations within Vietnam. Under the Law on Credit Institutions 2024, the allocated capital for a branch must meet a specified minimum threshold. A crucial requirement is the provision of a written commitment from the parent bank, unequivocally guaranteeing all obligations and commitments of the branch in Vietnam. The scope of activities for a branch is subject to strict supervision by the SBV and is permitted only for specific services as detailed in relevant SBV Circulars (e.g., Circular 23/2020/TT-NHNN). The application process, submitted in accordance with Article 27 of the Law on Credit Institutions 2024, involves a rigorous appraisal by the SBV, which can typically extend to around **200–250 working days**.



3. Wholly Foreign-Owned Bank / Subsidiary

Establishing a wholly foreign-owned bank, or a subsidiary, offers the highest degree of flexibility for offering a full spectrum of banking services in Vietnam. This mode, however, necessitates a substantial commitment, with a minimum charter capital of approximately **VND 3,000 billion (equivalent to approximately USD 130 million)**, or a level prescribed by the SBV from time to time. Subsidiaries are mandated to meticulously comply with all regulations concerning internal governance, risk provisioning, control systems, and international standards such as Basel II/III, as guided by the SBV. A supervisory cooperation agreement between the SBV and the parent bank's home country regulatory authority is also a prerequisite. While demanding higher capital requirements and a more complex establishment process, this structure provides the greatest operational autonomy.



4. Joint Venture Bank

Joint venture banks are formed through a partnership between a foreign bank and a Vietnamese credit institution. Similar to wholly foreign-owned banks, they must meet a minimum charter capital level stipulated by the SBV. A key aspect of joint venture banks is the foreign ownership ratio. While the general cap typically remains 30% of charter capital for most banks, Decree 69/2025/ND-CP (effective from May 19, 2025) introduces a significant amendment: for banks undergoing restructuring or merger (excluding state-controlled banks), the foreign ownership cap may be raised to 49%. This model benefits from the local market understanding and established relationship networks of the Vietnamese partner, though negotiations require clear agreements on rights and responsibilities. Supervision is jointly conducted by the SBV and relevant foreign regulatory authorities.



B. Emerging Modes and Strategic Considerations:

Beyond the traditional establishment of direct entities, foreign investors are increasingly exploring other avenues to participate in Vietnam's banking sector:

5. Strategic Equity / Minority Investment

The SBV actively encourages banks to allocate "foreign room" for strategic investors, recognizing the value in capital injection and expertise transfer. Investors must possess a suitable credit rating, robust financial capacity, and relevant industry experience. Such investments are subject to comprehensive compliance with M&A regulations, the Investment Law, the Law on Credit Institutions, and the Competition Law. The general ownership cap for a single foreign investor remains at 30% of charter capital, with the potential to increase to 49% for restructuring banks under Decree 69/2025/ND-CP. The process demands rigorous appraisal of equity purchase applications, financial statements, and thorough due diligence, with coordinated approval from the SBV, the Ministry of Industry and Trade, and the State Securities Commission.

6. Mergers & Acquisitions (M&A)

M&A activities in the banking sector are governed by specific SBV guidelines, such as Circular 62/2024/TT-NHNN, which regulate mergers and consolidations. Comprehensive due diligence, encompassing financial, legal, credit risk, and liquidity safety aspects, is mandatory. Ownership limits similar to strategic equity entry, particularly the potential for a 49% cap in restructuring banks, may apply.



7. New Forms / Digital Banking / Fintech Collaboration

Recognizing global trends, the SBV may be piloting new digital banking models and fintech sandboxes. While most of these forms still require establishment through traditional structures (branches, subsidiaries), the regulatory environment is adapting. Specific decrees and circulars guiding these activities, if already issued by the SBV, should be carefully reviewed for any priority mechanisms or simplified procedures for strategic fintech projects.



C. Post-Licensing Supervision & Compliance:

Upon establishment, foreign banks and their entities in Vietnam are subject to stringent ongoing supervision. This includes mandatory periodic reporting requirements for financial statements, capital adequacy, credit risk, and liquidity, in accordance with the Law on Credit Institutions 2024 and new relevant Circulars. Adherence to international standards such as Basel II/III, regular stress testing, robust risk provisioning, and robust information technology security measures are paramount. Furthermore, compliance with any new regulations concerning bank crisis resolution and depositor protection is essential.

D. Effective Date & Transition Roadmap:

Investors should be mindful of the effective dates and transition provisions for the latest regulations:

- **Law on Credit Institutions 2024:** Effective from July 01, 2024 (with some provisions effective from January 01, 2025).
- **Decree 69/2025/ND-CP:** Effective from March 19, 2025, or May 19, 2025 (depending on the specific provision), providing detailed guidance on foreign ownership.
- **SBV Circulars in 2025:** Investors should monitor new Circulars from the SBV, such as Circular 03/2025 on accounts (if related to investment capital), and any newly issued Circulars providing detailed guidance on licensing for branches/subsidiaries, M&A, or strategic investment (e.g., Circular 62/2024/TT-NHNN).

The transition roadmap clearly stipulates that if an application was submitted before the new law's effective date but licensed after it, the new regulations will apply.

Specific Document References For Verification

For precise legal and regulatory details governing the establishment and operation of foreign bank presences in Vietnam, investors should consult the latest versions of the following key legislative instruments and guiding circulars:

- **Law on Credit Institutions No. 32/2024/QH15**: This is the foundational law regulating the organization and operations of credit institutions in Vietnam.
- **Decree 69/2025/ND-CP**: This decree amends Decree 01/2014, providing updated guidance on foreign investment activities within credit institutions, including foreign ownership limits.
- **Circular No. 56/2024/TT-NHNN**: This Circular details the applications and procedures required for the issuance of initial licenses for commercial banks, foreign bank branches, and foreign representative offices.
- **Decree No. 94/2025/ND-CP**: Effective from July 01, 2025, this decree establishes the regulatory sandbox framework within the banking sector, particularly relevant for new forms of digital banking and fintech collaboration.
- **Circular No. 50/2024/TT-NHNN**: This Circular sets forth the requirements for security and confidentiality during the provision of online banking services.
- **Circular 62/2024/TT-NHNN**: This Circular provides detailed guidelines on Mergers & Acquisitions (M&A) and strategic equity investments involving credit institutions.



New Forms of Investment

The investment landscape for banks and fintech companies in Vietnam is notably dynamic, characterized by a preference for strategic partnerships and significant merger and acquisition (M&A) activities rather than traditional investment mechanisms like Business Cooperation Contracts (BCCs). This approach is instrumental in propelling digital transformation and sector consolidation.

Leading Vietnamese banks have successfully attracted considerable foreign equity stakes, typically ranging from 10% to 20%, from prominent international investors such as Mizuho, MUFG, GIC, and Fidelity. These alliances are crucial for providing the capital and expertise necessary to accelerate their digital transformation initiatives. In the fintech sphere, collaboration is expanding through active partnerships between major banks and innovative platforms like MoMo and bePOS, fostering integrated digital financial services.

M&A continues to be a cornerstone strategy for growth and restructuring within the financial sector. A notable recent development saw VPBank acquire GPBank in January 2025, acting under a directive from the central bank. Simultaneously, institutions like Vietcombank are actively engaged in broader restructuring and consolidation efforts across the industry. The vibrancy of this M&A activity is underscored by the cross-border investment, particularly from Japan, Korea, and Singapore, which propelled the total M&A deal value in 2024 to US\$3.2 billion across 96 transactions.

Crucially, regulatory reforms enacted between 2021 and 2025 have enhanced M&A accessibility while maintaining essential safeguards. A key development is Decree No. 69/2025/ND-CP, effective May 19, 2025, which permits a temporary increase in the total foreign ownership limitation for commercial banks involved in acquiring distressed credit institutions (from 30% to up to 49%). This targeted reform facilitates capital injection into the sector, though foreign stakes in underperforming banks remain capped until after their restructuring is complete.

Overall, the investment landscape in Vietnam's financial sector is clearly shifting towards equity-based strategic alliances and structured acquisitions, reflecting a maturing market focused on long-term growth and stability.





03 Conclusion

Vietnam continues to distinguish itself as a bright spot within the regional and global economic landscapes. Building on a noteworthy performance in 2024, the nation is setting ambitious targets for 2025, driven by a strategic interplay of exports, a resilient domestic market, and consistent foreign direct investment (FDI).

In 2024, the Vietnamese economy expanded by an impressive 7.09%, exceeding initial targets and highlighting its dynamism. This growth was propelled by vigorous export performance, an adaptable domestic consumer market, and steady FDI inflows, particularly channeled into high-tech manufacturing and green energy sectors.

Future Outlook

Looking ahead, the outlook for 2025 remains decidedly optimistic. Amid signs of broader economic recovery across Asia and renewed global trade momentum, Vietnam's policymakers are coordinating efforts to stimulate further expansion. The National Assembly, in February 2025, approved an adjusted GDP growth target of at least 8% for 2025. Complementing this, the State Bank of Vietnam (SBV) set an ambitious 16% credit growth target for commercial banks for the year, aiming to channel vital capital into businesses, especially SMEs, and encourage household spending.

While this ambitious trajectory is supported by Vietnam's relatively stable macroeconomic fundamentals and proactive monetary-fiscal coordination, potential headwinds persist. Global inflationary pressures, geopolitical uncertainties, and domestic structural issues, such as enhancing labor productivity and addressing infrastructure bottlenecks, remain key considerations.



Key Perspectives for Stakeholders

- 1. Banking Sector Confidence:** The 16% credit growth target signals considerable optimism from commercial banks, indicating improved borrower sentiment and perceived creditworthiness.
- 2. Policy Alignment:** A notable synergy between fiscal planning and banking strategy underscores the government's active role in steering Vietnam's post-pandemic recovery and long-term development.
- 3. Strategic Allocation:** A critical area to monitor will be how this increased credit growth is channeled into emerging, high-priority sectors such as semiconductor production or renewable energy.
- 4. Inclusive Growth:** Assessing the reach of increased credit access, particularly whether it extends effectively to underserved communities or remains predominantly centered in urban and industrial hubs, will be vital for equitable development.

As Vietnam charts a path toward high-growth recovery, these policy targets and their implementation will serve as crucial indicators of the nation's economic vitality and its capacity to manage global challenges.





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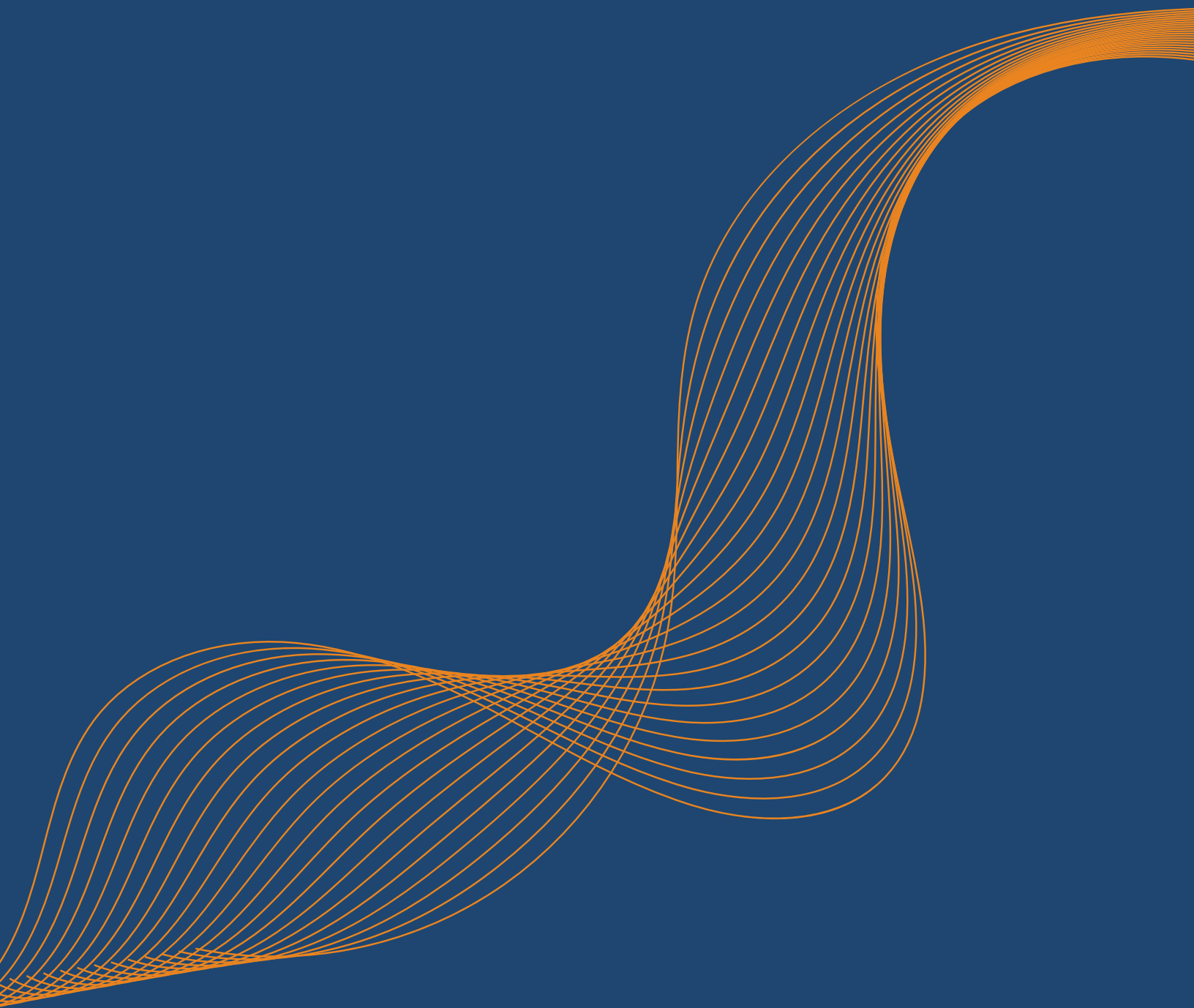
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