

# Bank borrowers benefit from new debt extension

**HÀ NỘI** Borrowers will be the beneficiary of a newly-issued State Bank of Vietnam (SBV) circular on extending debt rescheduling as it helps them to keep cash flows stable, experts said.

The SBV last week issued Circular 14/2021/TT-NHNN, which revised Circular 03/2021/TT-NHNN, allowing banks to extend the repayment term for customers by another six months compared to Circular 03, until June 30, 2022.

In addition, the restructuring of overdue debts will also be extended from July 17, 2021 to before September 7, 2021.

According to Nguyễn Đình Dương, an analyst at Pinetree Securities Company, the circular was issued to directly support borrowers who have been adversely affected by the COVID-19 pandemic. However, the circular will not help banks gain more profits in the remaining months of the year.

Dương explained banks would not be the beneficiary of the new circular as the new policy kept the time of provisions on COVID-19 loans unchanged compared with Circular 03/2021/TT-NHNN to ensure the safety of credit institutions and the national financial system. Under the new circular, banks will still have to increase the ratio of the provisions gradually, from 30 per cent of COVID-19-affected loans by the end of 2021 to 60 per cent by the end of 2022 and 100 per cent by the end of 2023 as stated in the previous circular.

Sharing the same view, Phan Lê Thành Long, Director of the Australian Institute of Corporate

Management Accountants (CMA Australia) in Việt Nam, said the circular targeted bank borrowers as it aimed to support firms which have been greatly affected by the pandemic.

According to the new circular, firms will also see lending interest rates and fees exempted or reduced, which will have a direct impact on helping firms stabilise cash flow, especially when they have to spend significantly to keep business and production going during the pandemic.

According to the SBV's statistics, banks restructured loans worth about VNĐ350 trillion (US\$15.2 billion) for COVID-19-affected borrowers by the end of 2020. Industry insiders estimated if half of the loans became bad loans, the bad debt ratio of the banking system would increase to more than 3 per cent by the end of this year.

To control the risk of bad debt, banking expert Nguyễn Trí Hiếu recommended that besides recovering bad loans, banks must set aside provisions for bad and risky loans.

Some banks have already increased provisions for risky loans.

VietinBank, for example, increased its provisions from 120 per cent in 2019 to 130 per cent of loans in 2020. In 2021, VietinBank aimed to keep the bad debt ratio below 2 per cent

## Waiting for bank debts

A week after the State Bank of Vietnam issued Circular 14 on debt rescheduling to alleviate the difficulties faced by businesses due to the COVID-19 pandemic, many indi-



A customer at Vietinbank's branch in Hà Nội. Borrowers will be the beneficiaries of a newly-issued State Bank of Vietnam (SBV) circular on extending debt rescheduling. VNA/VNS Photo Trần Việt

vidual and corporate borrowers said they are still waiting to hear from banks.

The director of a tourism and transport company in HCM City said his company has borrowed from three banks to buy cars.

Twenty cars were "in the parking lot" when the city mandated social distancing, and so generated no revenues, but every month his company received notices from the banks for payment of principal and interest, he said.

"I have contacted all three banks to ask for rolling over the loans until the end of this year, but have not received a response. If the debt is extended until the end of the year, my company might repay the debt because of the great opportunity for the recovery of the tourism industry."

Phạm Văn Việt, general director of Việt Thăng Jeans Co and vice chairman of the HCM City Gar-

ment-Textile, Embroidery and Knitting Association, told *Người Lao Động* (Labourer) newspaper that many export firms could sustain cash flows only for a short time more but face great pressure to pay loans.

Recently banks reduced interest rates as mandated by Circulars 01 and 03, but only by around 1 percentage point, and businesses expect banks to provide more support when Circular 14 comes into effect, he said.

"Besides debt restructuring, businesses also want fresh credit to buy raw materials to prepare for their recovery. It is very difficult to get new loans ... because most of their assets have been mortgaged and have nothing more left.

Phan Đình Tuệ, Sacombank's deputy CEO, said Circular 14 is more open than the other two circulars for providing support to individual and corporate customers.

Customers' debts payable between January 2020 and August 2021 have been deferred until June 2022, and this would help ease financial pressure and enable a recovery.

"As soon as Circular 14 took effect, Sacombank continued to restructure the debts of individual and corporate customers. As for reducing interest rates as prescribed by the new circular, the bank considers each case based on the epidemic's impact by sector."

Nguyễn Đình Tùng, general director of the Orient Commercial Joint Stock Bank (OCB), said not all customers having outstanding loans at banks are supported. As for reducing interest rates, his bank could only shave off 1-2 percentage points and not 3-4 percentage points as many customers expect, he said.

"At OCB, customers in priority areas or in production - trading who have suffered heavy losses due to COVID-19 will have their loan interest reduced. Some retailers and workers losing jobs will even get an interest waiver for one to two months."

According to bank managements, not only businesses but also banks have been hit hard by the pandemic as many customers fail to repay their debts.

The head of a commercial bank said: "We do not know when businesses will resume production and trading activities. The bank does not have much reserves. It is very difficult to ask commercial banks to sharply reduce loan interest rates at this time." VNS

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## INVITATION FOR BIDS (IFB)

- The Socialist Republic of Viet Nam (hereinafter called "Borrower") has received a Loan from the Export-Import Bank of Korea from the resources of the Economic Development Cooperation Fund (EDCF) of the Republic of Korea in the amount not exceeding the equivalent of Sixty Two Billion Three Hundred Twenty One Million Korean Wons (KRW 62,321,000,000) toward the cost of Rehabilitation and Improvement of Bridges on National Highways Project (Phase 1) and intends to apply a portion of the proceeds of this loan to payments under the contract for Package XL-02: Construction of Xom Bong Bridge
- The Project Executing Agency now invites sealed bids from eligible bidders for Package XL-02: Construction of Xom Bong Bridge.
- Bidding will be conducted through Competitive Bidding (CB) among eligibility contractors
  - Nationals of the Republic of Korea (including juridical persons incorporated in the Republic of Korea in accordance with its laws; hereinafter the same shall apply);
  - Foreign corporations in which nationals of the Republic of Korea hold more than 50% of shares as well as foreign subsidiaries of a foreign corporation of which nationals of the Republic of Korea reserve the management rights and are vested with the business performances; or
  - Consortiums built by nationals of the Republic of Korea with the corporations set up in accordance with the laws and regulations of the Borrower's country in which nationals of the Republic of Korea hold more than 50% of shares or have the de facto decision-making rights.

and that the single stage two-envelop procedures specified in the Guideline for Procurement under EDCF Loans, and is open to all eligible bidders that meet the following minimum qualification criteria.

- Specific experience in construction: Completed at least 01 contract of road and

bridge construction including Super-T or Prestress Reinforcement Concrete with the span length of  $\geq 38$ m; bored pile diameter, and value of not less than 5,250,000 USD.

- The annual averaged construction turnover within 3 years (from 2018 to 2020) shall be 10,000,000 USD.
- Requirement of cash flow shall be 1,250,000 USD.

- Interested eligible Bidders may obtain further information from Project Management Unit No. 2 (PMU.2) – Address: No.18 Pham Hung Road Cau Giay District Ha Noi, Viet Nam; Mobile: +84912585383; Email: pmu2pid1@gmail.com and inspect the bidding documents at the address below from 08 a.m September 16<sup>th</sup> 2021 to 10:00 a.m October 30<sup>th</sup> 2021 (working hours from 08:00 a.m. to 17:00 p.m., Vietnam time GMT+7).

- A complete set of bidding documents may be purchased by any interested Bidders on the submission of a written application to the address below and upon payment of a nonrefundable fee of 10,000,000 Viet Nam Dong. The method of payment will be transfer or cash to the following specified account.

**Bank Account Name:** Ban Quan ly du an 2

**Bank Account Number:** 1462201002861

**Bank Name:** Vietnam Bank for Agriculture and Rural Development – Tay Do branch

**SWIFT Code:** VBAAVNVX

The document will be sent directly to Bidders at PID3, 5<sup>th</sup> floor, PMU.2's Office.

- Bids must be delivered to "PMU2" at or before 10:00 a.m October 30<sup>th</sup> 2021. All bids must be accompanied by a bid security of 150,000 USD. Late bids shall be rejected. Bids will be opened in the presence of the Bidder's representatives who choose to attend at the address below at 10:00 a.m October 30<sup>th</sup> 2021.

- PMU.2 will not be responsible for any cost or expense incurred by Bidders in connection with the preparation or delivery of Bids.