

# Financial sector optimistic 2020 will be good year

## BUSINESS BEAT

Compiled by Thiên Lý

Asked about business prospects for 2020, financial and non-financial companies have sharply diverging views.

The former have a positive outlook for this year, while those engaged in the production of market goods and non-financial services have a gloomy prognostication.

According to FiinPro, by July 1,368 non-financial corporations had announced their business plans for the rest of the year, estimating their turnover to fall by 0.5 per cent from last year and profits by an estimated 23.6 per cent, the latter a nine-year low.

The pessimistic outlook of the non-financial corporations is said to be due to the severe impact of the COVID-19 pandemic.

Of the non-financial institutions, those in the tourism and entertainment industries are expected to suffer the most with their turnover likely to be down by 31 per cent.

The oil industry expects revenues to fall by 29.5 per cent and the household appliances industry, by 15.8 per cent.

It is carnage when it comes to profits. The tourism industry, for instance, expects after-tax profits

to fall by 98 per cent.

The financial sector, especially banks, is altogether more optimistic.

The banking sector expects a 4.9 per cent increase in profits this year.

Not only have banks' operations not been affected by the pandemic, but they have also been given an opportunity to digitise as customers shun visits to branches amid the outbreak.

Vũ Tiến Lộc, chairman of the Việt Nam Chamber of Commerce and Industry, confirmed this, saying, "COVID-19 has been a catalyst that helped Việt Nam speed up digitisation of the economy, businesses, banks, and e-commerce."

The country has 70 credit institutions and financial intermediaries such as e-wallets providing payment services online and through apps.

The total value of digital financial transactions via mobile phone so far tops VNĐ7.3 quadrillion.

As a result of providing digital financial services many lenders managed to achieve high profit growth in the first two quarters of this year.

VPBank, for instance, reported pre-tax profit of VNĐ 6.584 trillion for the first half, a year-on-year increase of 51.6 per cent and 64 per cent of its full-year target.

A Vietcombank executive said that

the lender's profits in the half were around VNĐ11.3 trillion, around the same as in the year-ago period.

Analysts said the banking sector enjoys several advantages that have helped it achieve excellent business results, including Circular No 1/2020/TT-NHNN issued by the State Bank of Việt Nam (SBV).

The circular, which took effect in mid-March, regulates the rescheduling of loans, interest and fee waivers and reductions and classification of debts by credit institutions to respond to the COVID-19 pandemic.

Meanwhile, banks are still allowed to carry interest receivables and fees due to their balance sheets.

In normal circumstances, as long as they can be reasonably expected to be paid within a year, interest receivables are treated as current assets in the balance sheet.

However, this also means that banks face implicit risks, one of which is that profits would remain on paper in the event of borrowers defaulting on repayment due to the pandemic, experts warned.

They need to keep a close eye on interest receivables and write off irrecoverable debts as soon as possible from their books.

Another advantage for banks has been the sharp decrease in deposit interest rates in the first six months

of the year, which helped them significantly cut their cost of capital.

Industry insiders said average deposit interest rates have fallen by 100 basis points so far this year, while only 18 per cent of loans outstanding had their interest rates cut to support businesses and individuals affected by the pandemic.

### Bad debts forecast to rise

The COVID-19 outbreak poses a threat to the economy since most industries face a lot of difficulties.

In the event, experts expressed concern about a likely sharp increase in bad debts in the banking system as borrowers struggle to repay their loans.

Vietcombank, the lender considered to have the best credit risk management and debt quality in the banking system, is expected to see its bad debts double to 1.5 per cent of total loans this year.

A report by credit rating firm Moody's said Thailand, Indonesia, Malaysia, the Philippines, and Việt Nam have launched many policy measures to mitigate the effects of the pandemic on their economies but have only achieved modest results.

The SBV has allowed banks to reschedule or freeze loans and waive or reduce interest for troubled borrowers.

Many experts said the central

bank's policies mainly focus on providing lenders with liquidity to support new lending, and debt restructuring solutions including rollover of debts. Thus, problem loans would become a factor when these policies are rolled back if things are not handled carefully.

Then banks' safety ratios will be impacted, causing a decline in capital adequacy ratios (CAR) and thus a failure to meet the requirements of Basel 2.

For the lenders overcome the situation, experts suggested that they should build up their financial strength by increasing charter capital and issuance of long-term bonds, which would enable them to cope with bad debts when they become official.

To do this, some bank managements are considering selling their stakes in financial companies for foreign partners since it would help them improve their financial capacity, performance and governance, paving the way for stronger development in future, especially if their stakes fetch a good price.

Experts concurred saying with the danger of bad debts growing, selling their stakes in finance companies is a good idea for banks now since the pandemic shows no signs of ending and threatens further consequences. **VNS**

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## INVITATION FOR BIDS (IFB)

[Issue Date: August 17, 2020]  
[Socialist Republic of Vietnam]

**Package No. 16/XL-A-Len:** Civil works for Len River irrigation system Subproject

Len River and Hoang Mai River Estuary Development Project (EDCF Loan No. - VNM-51)

- The **Socialist Republic of Vietnam (Borrower)** has received a loan from the **Export-Import Bank of Korea (Bank)** from the resources of the **Economic Development Cooperation Fund (EDCF)** of the **Republic of Korea** in the amount of **KRW 86.42 billion (USD 76.93 million)** toward the cost of the Project Len River and Hoang Mai River estuary development (Project), and intends to apply a portion of the proceeds of this loan to payments under the contract for civil works package No.16/XL-A: "Construction and supply, installation of equipment for Len River irrigation system sub-project including headwork sluices, boat lock, vehicle bridges and pumping stations".
- The Project Executing Agency (Central Project Office-CPO), under Ministry of Agriculture and Rural Development (MARD) on behalf of the Borrower now invites sealed bids from eligible bidders for the captioned package. The construction period **should not be greater than 24 months**.
- Bidding will be conducted through Competitive Bidding (CB), single stage – two envelopes (1S2E) procedures, specified in the Guideline for Procurement under EDCF Loans, and is open to all eligible bidders that meet the following **minimum** qualification criteria:
  - Eligibility of Bidders:** (i) 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); (ii) 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; (iii) 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.
  - Financial capacity:** (i) Historical financial performance: Average net worth for the last 3 years of 2017, 2018, 2019 shall be **positive** and the net worth of 2019 shall be **positive**; (ii) Average annual construction turnover: at least **USD 38.5 million** within the last 03 years of 2017, 2018, 2019; (iii) Financial resources (cash flow): **USD 6.0 million** (for 3 consecutive months)
  - Experience in similar contracts of:** The bidder shall have participated, within the last 10 years (counted from 1st January 2010), as main contractor or joint venture's member, in at least:
    - Size and nature:** 01 successfully completed contract similar to subject works, including sluice gates combined with bridge, with bidder's participation value amounting to **USD 35.7 million**.
    - Key activities:**

- ◆ **Construction of sluice:** 01 successfully completed contract with bidder's scope of works including:
    - Saline prevention sluice or river water retaining sluice, with total width of gates of 100m, includes 02 gates and each gate with width of 40m;
    - Traffic bridge built of girder with a span length of 45m;
    - Supply and installation of 02 plate - steel vertical-lifting gates, with dimension of width x height = 40.0 x 7.5 (m) per gate unit.
  - ◆ **Hydraulic hoist:** 01 successfully completed contract of supply and installation of hydraulic hoist (including hydraulic-driven parts) with hoist's capacity of 200 ton.  
More details of qualification requirements are mentioned in the Bidding Documents.
- Interested eligible Bidders may obtain further information from the **CPO** and inspect the Bidding Documents at the address below from 08:00 to 17:00 (working hours).
  - A complete set of Bidding Documents in English may be purchased by interested Bidders on the submission of a written application to the address below and upon payment of a nonrefundable fee of USD 500.00. The method of payment will be direct cash or deposit or bank transfer (transfer message clearly show as follow: "[Bidder name] pays 500 USD fee for BDs of CW No.16XL-A Len-Kexim1") to the following specified account:  
**Bank Account Name:** "Ban Quan Ly Trung uong cac Du an Thuy loi" (CPO), Bank Account Number: 1260202003614, At Bank: Agribank – Hong Ha Branch – Hanoi (Swift Code: 01204018)  
The document may be received by bidders by:
    - **Direct hand-over:** Representative of Bidders is requested to present a certificate of "Power of Attorney" when he/she comes to the CPO's office to receive a full set of bidding documents.
    - **Delivery by airmail or courier:** The Bidding Document may also be sent by the CPO upon Bidders' request through the courier for an additional fee of US\$ 200. No liability will be accepted for loss or late delivery.
    - **Delivery by electronic/online means:** Bidders shall issue a letter by writing and/or by email to Employer, which mentions its request for claiming BDs, attached by proof of fee payment and bidders' contact including e-mail address. The Employer then sends the BDs (in the pdf-form) to bidders' e-mail address.
  - Bids must be delivered to the address below at or before at **9.00am on 01 October 2020**. All bids must be accompanied by a bid security of **USD 1.0 million**. 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 **9.00am the same day on 01 October 2020**. Attendees of the bid opening must have a certificate of Power of Attorney of the bidder's firm and his/her valid identification paper.
  - The **CPO** will not be responsible for any costs or expenses incurred by Bidders in connection with the preparation or delivery of Bids.

### CENTRAL PROJECT OFFICE (CPO)

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