



Vietcombank to merge with Saigonbank

Vietcombank is set to merge with Saigonbank as part of a general banking restructuring process, said Nguyen Van Binh, the Governor of the State Bank of Viet Nam (SBV).

Making the announcement at a Vietcombank meeting in Ha Noi on January 16, Binh said SBV will be adopting drastic measures to boost bank mergers during the first half of this year.



He added that domestic reforms had been implemented at the weakest institutions in the banking system, and during the current new stage of the restructuring process, stronger credit institutions will also be involved. Some large banks will have to merge with smaller banks, while the central bank will directly handle other lenders.

"I can confirm that large commercial banks, including Vietcombank, will not be hurt during the process," he told local media.

"They will only have to make efforts, and share their prestige and experience, to assist and train [smaller banks], and the SBV will ensure that they do not suffer any losses."

Vietcombank Chairman Nghiem Xuan Thanh reported on January 16 that the bank had earned VND5.68 trillion (US\$270.48 million) in pre-tax profits last year, up 2 per cent from the previous year.

In 2014, deposits at the bank grew by nearly 26 per cent and outstanding loans expanded by nearly 18 per cent year-on-year, while the bad debt ratio fell by 0.4 per cent year-on-year to 2.29 per cent.

Binh said all operational indicators at Vietcombank are healthy, but the bank needs to innovate more to transform itself and overcome certain hindrances in its development in the future.

"In order to become the No. 1 bank in Viet Nam, Vietcombank has no other option but to take part in the restructuring process together with the SBV – specifically through the merger with Saigonbank," he noted.

Foreign trade lender Vietcombank reportedly holds a stake of more than 8.2 per cent in Saigonbank, whose full name is Sai Gon Bank for Industry and Trade and which possesses a charter capital of more than VND3 trillion (\$142.86 million).

SBV Deputy Governor Nguyen Thi Hong said during a recent talk with Vietnam Television's BizLive that 2015 is expected to witness some six merger and acquisition (M&A) deals, aimed at enhancing the banking system's health and ensuring the economy's solvency.

She added that voluntary M&As will be encouraged, but in case there is a need, stronger measures, such as compulsory M&As, will be enforced. This is part of the roadmap to reduce the number of commercial banks from over 30 to between 15 and 17 by the end of 2017.

Another Deputy Governor, Nguyen Phuoc Thanh, also confirmed that the authorities are working to

reduce the number of banks by five to seven in 2015, although he rejected to disclose details of specific M&A deals.

“There are chances that some commercial banks with state capital will merge with smaller and more fragile banks,” he told local media.

The SBV has granted principle approval for the mergers of Sacombank with Southern Bank, and the Maritime Bank with Mekong Bank. There are market speculations that BIDV will merge with MHB, Vietinbank will merge with a smaller bank, and Nam A Bank will merge with a larger bank.

According to industry insiders, banks will also have to accelerate M&A and divestment activities to meet new legal regulations on lenders' stake ownership.

Last November, the SBV had issued a circular, stipulating that a commercial bank can hold shares in a maximum of two other credit institutions, and that its stake in each institution should not exceed 5 per cent of the total equity of that institution.

The circular aims to secure banking operations by restricting a cross-ownership situation, which has been singled out as the sole reason responsible for the fragility of the domestic banking system during the last few years. It will become effective on February 1, 2015 will require banks to meet its requirements within a year at the latest.

Source: VNS