



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. Shares lose ground due to pillars, oil stocks

Shares lost ground on Friday due to the sharp fall of pillar stocks and the oil and gas stock group.

The market benchmark VN-Index on the Hồ Chí Minh Stock Exchange (HoSE) declined 0.85 per cent to close at 1,466.54 points. The index had gained 0.36 per cent to close Thursday at 1,479.08 points.

The market's breadth remained positive with 295 gainers and 164 losers.

Liquidity increased compared to Thursday's session with over 878 million shares traded on the southern bourse, worth nearly VNĐ28 trillion (US\$1.2 billion).

The benchmark lost ground as some pillar stocks made strong decreases. The VN30-index lost 0.88 per cent, to 1,477.14 points.

Eight of HoSE's 30 biggest stocks in market capitalisation in the VN30 basket increased, while 22 stocks declined.

The VN-Index's loss was broadened due to the fall of blue-chips. The largest company by market capitalisation Vingroup (VIC) dropped 0.1 per cent. Its two arms Vinhomes (VHM) and Vincom Retail (VRE) declined 0.3 per cent and 0.5 per cent respectively.

Energy stocks suffered selling pressure with losers such as Việt Nam National Petroleum Group (PLX), PVPower (POW), PetroVietnam Technical Services

Corporation (PVS), PetroVietnam Drilling and Well Services Corporation (PVD), Drilling Mud Joint Stock Corporation (PVC) and PetroVietnam Gas JSC (GAS).

The banking group differentiated gainers including Vietinbank (CTG), Sacombank (STB), Vietcombank (VCB), Military Bank (MBB), Bank for Investment and Development of Viet Nam (BID). Losers, however, were Tiên Phong Bank (TPB), Techcombank (TCB), Eximbank (EIB) and VPBank (VPB).

Fertiliser stocks recorded gains with gainers being Lâm Thao Fertilisers And Chemicals JSC (LAS) up 1.3 per cent, and Petro Việt Nam Cà Mau Fertiliser JSC (DCM) up 3.7 per cent.

Twenty-one out of 25 sector indices on the stock market made losses, including real estate, securities, wholesale, retail, food and beverage, construction, seafood processing, insurance and logistics.

The HNX-Index on the Hà Nội Stock Exchange (HNX) finished lower, with a drop of 1.22 per cent, to 442.20 points.

The index had risen 0.68 per cent, to close Thursday at 447.64 points.

More than VNĐ4 trillion worth of shares were traded on the northern market, equivalent to a trading volume of nearly 169 million shares.

## Macro & Policies

### 2. Banks cooperate with securities firms for expansion

The strong development of the stock market, with rising retail investors and financial investment demand, has prompted many banks to cooperate with securities firms and fund management companies to add more cross-selling products.

This is considered a solution for the parties to optimally exploit all potentials, and increase competitiveness and value.

Saigon Commercial Joint Stock Bank (SCB) has just signed a cooperation agreement with Tân Việt Fund Management JSC (TVFM) in the field of providing product services, based on the principle of priority commitment to using each other's products and services, ensuring effective competition in terms of quality and cost.

Accordingly, SCB is TVFM's preferred partner in providing products and services in capital mobilisation transactions, domestic and foreign financial arrangements, investment transactions and investment cooperation.

The bank also considers TVFM to be the preferred partner in performing investment, investment trust and asset management services for SCB and its customers.

Meanwhile, TVFM also signed a cooperation agreement with Tân Việt Securities JSC (TVSI) to cross-sell traditional products. In the next stage, the parties will proceed to develop specialised products in line with the business orientations of TVSI, SCB, and TVFM.

Nguyễn Cửu Tính, Deputy General Director of the Personal Finance Services Division of SCB, said that through the cooperation agreement, the bank will create superior product packages for investors and standardise the investment process of customers. Thereby, it can form accumulation packages with high-interest rates and outstanding efficiency, promising to provide customers impressive differences in products and services with stable profitability.

Previously, HSBC Việt Nam also confirmed the strategic cooperation relationship with VinaCapital Fund Management SJC in connecting retail investors with VinaCapital's fund certificates. Initially, the cooperation is aimed at supporting HSBC Premier customers, opening up many opportunities for HSBC's customers to access investment products.

Pramoth Rajendran, Country Head of Wealth Management and Personal Banking, HSBC Việt Nam, said that this is a good time for HSBC Việt Nam to introduce wealth management products, as customer demands' standard is higher.

With strategic cooperation with long-time partner VinaCapital, the bank wishes to introduce to customers another investment channel to help increase assets. This is in line with HSBC's strategy to open up new opportunities for customers, as well as support the development of the Vietnamese market.

In February, SSI Securities Corporation (SSI) also announced that it had successfully signed a loan contract with a limit of VNĐ10 trillion (US\$437.1 million) with the Hà Nội branch of Vietinbank.

This is the largest credit line contract of SSI to date with a joint-stock commercial bank in Việt Nam, promising to open up a more comprehensive cooperation direction in the future between the two financial institutions.

Another deal attracting attention recently is the return to the securities sector of VPBank through the acquisition of more than 97 per cent of stakes in ASC Securities Corporation and changed its name to VPBank Securities Company.

In the past, VPBank used to be the largest shareholder of VPS Securities JSC, the company with the largest stock brokerage market share today, however, in 2016, VPBank divested from the company and is no longer involved in the securities business.

As it is a traditional business of banks for a long time, it is understandable that many commercial banks

expand their cooperation to promote investment development.

The structure of stock investment of banks includes valuable papers, which mainly are debt securities including corporate bonds, government bonds and bonds of credit institutions. Currently, these services are mainly carried out by securities companies, which are subsidiaries or strategic partners.

Financial statements for the fourth quarter of 2021 and business results for 2021 of listed banks showed that investment securities services are bringing significant income to many banks, especially those that own securities companies.

For example, last year, Techcombank's fee collection from investment banking (IB), the largest component of income from service activities, recorded at VNĐ3.6 trillion, up 32.8 per cent on-year. Its fees from bond distribution increased by 57.4 per cent and fees from other IB services rose by 66.7 per cent in 2021, as its Techcom Securities JSC (TCBS) continued to provide many new products and services to serve larger customer group which grew 30 per cent.

In 2021, securities trading, stock investment and long-term capital contribution also helped MBBank to earn nearly VNĐ1.7 trillion, up 75.3 per cent.

### 3. Banks race in technological application, capital increase

Banks have been racing in applying technologies and increasing capital to enhance their competitiveness and meet the State Bank of Vietnam (SBV)'s regulations.

According to experts, digital application has helped banks reduce operating costs, increase asset quality and reduce the cost of credit risk provisions, while the capital increase has contributed to improving capital adequacy ratio (CAR) to meet the SBV's regulations.

The Vietnam International Securities Joint Stock Company (VIS) said many banks have spent millions of US dollars to develop core banking systems, which has helped their customers easily connect and make automatic payments on mobile platforms. The investment has helped the banks to lure a large number of new customers.

Sharing the same view, the Vietcombank's Securities Company (VCBS), said many banks aimed to boost digital transformation, digital banking and ecosystems in the 2020-25 period.

Technology is playing an increasingly important role in the banking industry. Automated banks such as TPB Live Bank and MBB Smart Bank allow customers to open cards, deposit and withdraw money with their fingerprints. With the investment, the banks have so far gained initial success.

According to VIS, the investment in digitalisation to ease customers in making transactions has helped banks lure more customers, which contributes to increasing the banks' ratio of current account saving account (CASA).

A higher CASA ratio indicates a lower cost of funds, because banks do not usually give any interest on current account deposits and the interest on saving accounts is usually very low. If a large part of a bank's deposits comes from these funds, it means that the bank is getting those funds at a relatively lower cost. It is generally understood that a higher CASA ratio leads to higher net interest margin (NIM).

As banks' NIM has slowed since the third quarter of last year and is forecast to continue in the first quarters of 2022 due to the implementation of preferential interest rate programmes and the SBV's requirements on capital adequacy and reserve ratios, VIS forecast banks would have to increasingly digitise to enable them to further mobilise the cheap capital source.

Besides, VIS said, digitisation also helped banks reduce operating costs and improve asset quality, thereby contributing to cutting the cost of credit risk provisions.

Besides the digital application, banks, especially State-owned banks, are also forecast to continually

increase charter capital this year to boost financial strength and meet the SBV's regulations on capital adequacy ratio.

Vietcombank, for example, is expected to issue more than 1.02 billion shares to pay dividends from the remaining profit in 2019 at the rate of 27.6 per cent in 2022. After the issuance, Vietcombank's charter capital will increase by VNĐ10.23 trillion to more than VNĐ47.32 trillion.

The State-owned bank has also planned to have a private placement of nearly 308 million shares,

equivalent to 6.5 per cent of its charter capital to 99 investors at most, which will raise the bank's charter capital to more than VNĐ50.4 trillion. The bank has also expected to continually raise its charter capital to VNĐ54.13 trillion in the near future through paying stock dividends.

Vietnamese banks increased their capital by more than 23 per cent, or more than VNĐ92 trillion, last year. Banks in the top list in the capital increase last year included VPBank (up 78 per cent), SHB (up 52 per cent), TPBank (up 48 per cent), VIB (up 40 per cent) and MBBank (up 35 per cent).

#### 4. Domestic credit cards have ample room for growth: experts

There is still ample room for domestic credit card (DCC) growth since the number of DCC holders is relatively low in Việt Nam, according to experts at a seminar on DCCs held on Friday.

Nguyễn Ngọc Hiến, editor-in-chief of Lao Động newspaper, underlined DCCs as an instrument for promoting cashless payments in the country.

DCCs allow holders to borrow loans to cover personal expenses and pay the loans off later with up to 55 days interest-free.

That means people can use DCCs to take out short-term loans with low-interest rates rather than turn to loan sharks for money, effectively curbing usury.

"Việt Nam is such a potential market for DCCs with its population of nearly 100 million," claimed the editor-in-chief.

Lê Văn Tuyên, deputy director of Payment Department under the State Bank of Vietnam, revealed that by late 2021 there were 12 DCC-issuers in Việt Nam with a total of 475,000 active cards.

DCCs have become popular among many urban citizens, but not so among people living in rural areas who have stable incomes and want convenient payments for their daily spending.

Accordingly, there is still plenty of room for growth in the rural segment.

The deputy director also mentioned several conveniences of DCCs that enabled them to gain popularity among first-time users.

These include a simple process, long interest-free duration, low transaction fees and compatibility with the issuers' existing debit payment networks.

Tô Đình Tôn, deputy general director of Vietnam Bank for Agriculture and Rural Development (Agribank), revealed that the bank had inaugurated its own DCC named Lộc Việt in early 2022.

Lộc Việt is a state-of-the-art duo card that combines debit and credit features. It offers unsecured loans to its holders to a credit limit of VNĐ30 million (US\$1,311) with a grace period of 55 days.

Agribank has been offering free points of sale (POS) devices with no transaction fees to promote the use of Lộc Việt in rural areas.

"So far, 430,000 cards have been issued, a total overdraft of VNĐ2.5 trillion (\$109.3 million) has been granted, and over 5,000 new POS devices have been set up, raising the total number of POS devices to 15,000 in rural areas," he said.

Tôn believes that a client base of nearly 27 million families would give the bank a considerable advantage, allowing it to promote cashless payments in the country further.



Trần Thị An Dung, Hà Nội branch manager of Asia Commercial Joint Stock Bank (ACB), said that the bank's DCC had been in use for five years and enjoyed an annual growth rate of about 80 per cent between 2017 and 2021.

She put the fast growth rate of the DCC down to its various facilities.

Notably, cardholders can pay in instalments for the goods and services of over 200 ACB's partners without incurring any interest and fees.

For other goods and services, payments are interest-free and with small fees.

As ACB and NAPAS are cooperating to step up the growth of DCCs in the next 3-5 years, the manager urged NAPAS to revise its interchange fees to reach out to more clients.

Nguyễn Quang Minh, deputy general director of National Payment Services (NAPAS), revealed that the organisation had introduced its DCCs (NAPAS Credit) in January 2021.

NAPAS Credits are accepted by more than 300,000 payment terminals and e-commerce platforms nationwide and can be used to withdraw cash at over 20,000 ATMs.

So far, banks that have issued NAPAS DCCs include Agribank, ACB, VietinBank HDBank and Sacombank.

According to Minh, there were just 6.5 million credit cards in Việt Nam as of late June 2021.

This figure pales in comparison with the country's population of nearly 100 million, meaning a bright prospect of growth for DCCs.

He expects more banks to get in on the act in the near future, making DCCs a norm in domestic payments.

Phạm Tiến Dũng, deputy governor of the State Bank of Vietnam, asserted that clients would never go back to cash once they got used to cashless payments.

However, convincing cash-preferred clients to try cashless payments for the first time is not an easy task.

Accordingly, the deputy governor recommended DCC issuers must effectively communicate with their clients to keep them well-informed about the conveniences and facilities of DCCs.

He suggested incorporating payment terminals into all industries in the economy to expand the card acceptance network.

He also called for the widespread use of cashless payments and DCCs in rural areas to help the disadvantaged get access to financial services.

Lastly, the deputy governor requested DCC issuers and NAPAS to ensure the security and safety of the card system and safeguard the rights and interests of cardholders.

## 5. Cold storage market to top \$295 mln by 2025: forecast

The cold storage market is expected to grow at an annual rate of 12 percent to become US\$295 million worth by 2025, property services firm Cushman & Wakefield said.

The growth rate is being driven by a surge in demand from the fisheries industry and for storage of vaccines, it said.

Advisory firm Asia Perspective said despite the high growth rate expected, the market is nowhere near its full potential.

As of May 2021, there were only 48 cold storage warehouses in the country with a capacity of around 700,000 pallets. In 2020, only 8.2 percent of food suppliers to the domestic market used cold storage systems, while 66.7 percent of exporters did so.

Cold storage facilities are mainly located in industrial parks and ports. The market is more developed in the south because of high demand from seafood and agriculture exporters.

Cushman & Wakefield said Vietnam's cold storage industry has caught international investors' attention in the last two years, and many are looking for opportunities to enter the market through new investments or acquisitions.

Cold storage costs are generally 50-100 percent higher than dry warehouse rentals at US\$45-90 per square meter for consumer products and \$45-160 for medicines.

"The shortage of specialized cold storage due to supply-demand mismatch can drive prices up even higher", Trang Bui, Cushman & Wakefield's director general for Vietnam, said.

The rapidly growing demand would motivate investors to build new storage facilities despite the high costs of equipment, insulation and machinery, she said.

Many investors are also eyeing entry into the market through acquisitions to enjoy first mover advantages, she added.

But Cushman & Wakefield has warned the industry of growing challenges, including compliance with cross-border trade processes that lead to higher costs and a longer lead time.

The fledgling Vietnamese cold storage market was worth \$169 million in 2019, it said.

## 6. Deputy PM urges Petrovietnam to stop both exporting and importing crude oil

Petrovietnam needs to speed up investment in refining to ensure domestic supply and stop exporting and importing oil at the same time, Deputy Prime Minister Le Xuan Thanh said.

Speaking at a meeting with the oil and gas group management Friday, he said the relevant ministries should take measures to stop having to import crude oil for the country's refineries while still exporting it.

While some branches of PVN are responsible for crude oil exploitation and export, others are importing it for refining.

He called on PVN to speed up investment in the Long Son industrial park in the southern province of Ba Ria - Vung Tau, which includes Vietnam's third oil refinery, to ensure there is adequate domestic supply.

Vietnam exports most of its crude oil output while importing other varieties for refining for domestic consumption.

But its two refineries, Nghi Son and Dung Quat, only meet 70 percent of demand.

Unlike Dung Quat, which mostly refines oil produced domestically, Nghi Son imports 100 percent of its crude oil requirement from Kuwait.

Vietnam's oil and gas reserves are estimated at 1.5 million cubic meters, the 26th highest globally, but output only ranks 34th.

Those are signs of inefficiency in oil and gas exploitation, and it is necessary to "use the resource to serve the economy and produce it in the most proficient way," Thanh said.

He called on PVN to focus on development of offshore wind power plants.

Most of PVN's oil comes from the offshore Bach Ho oil field off southern Ba Ria-Vung Tau Province.

In the first two months of 2022, the company's oil output was 1.78 million cubic meters and revenues were VND118.73 trillion (\$5.2 billion), up 46 percent year-on-year.

## 7. Finance ministry sees wisdom of halving gasoline environment tax

The Ministry of Finance now wants to halve the environment tax on fuel as many others have suggested.

If the government approves the proposal, from next month the tax will be reduced from VND4,000 (\$0.18) to VND2,000 per liter on gasoline and from VND2,000 to VND1,000 on diesel.

The ministry had earlier suggested a 25 percent cut while many others, including the Ministry of Industry and Trade, had demanded a 50 percent reduction as pump prices climbed to new peaks amid a global shortage caused by the Russia-Ukraine crisis.

The popular RON95 variety of gasoline is now at a historic high of VND26,830 per liter after having

increased by more than 15 percent this year amid a global shortage caused by the Russia-Ukraine crisis.

They are expected to rise to another all-time high on Friday afternoon. Prices could rise by VND5,000-8,000 on Friday, or 18-30 percent, which would have a major impact on inflation, the Ministry of Industry and Trade said.

Gasoline distributors have been complaining they are selling at a loss due to the large gap between local and global prices.

The gasoline stabilization fund, set up to contain any rise in prices if needed, now only has a balance of VND620 billion.



## Corporate News

### 8. SAB: SABECO inaugurates Sài Gòn – Quảng Ngãi Brewery expansion project

↓ -1.91%

At the inauguration ceremony, representatives from the local government and SABECO pressed the button to start producing the first batch of beer in the project. The inauguration ceremony marked the latest success of the brewery, following its implementation of a can-line with a capacity of 60,000 cans per hour in June 2020.

"For Quảng Ngãi brewery, it was not too long ago, in 2010, that we started the brewery with only an RGB line, and a capacity of 100 million liters per year. In 2013, we put in an additional investment with the installation of a canning line. In 2020, we further invested VNĐ650 billion into Quảng Ngãi Brewery as part of SABECO's 3-year Brewery Expansion Project," said Bennett Neo, CEO of SABECO.

"Besides adding a new high tech, high speed canning line, we invested in 17 new tanks, a new filtration line, a yeast propagation system and a Reverse Osmosis water treatment system, expanding our capacity to 250 million a year. This is 2.5 times bigger than 2010."

This is part of a three-year SABECO Brewery Expansion Project which SABECO announced in 2019, of which a total investment of VNĐ650 billion is for Quảng Ngãi Brewery.

After the implementation of the can-line with a capacity of 60,000 cans per hour in 2020, SABECO moved forward with the second phase: expanding and upgrading the brewery capacity to 250 million litres per year.

The can line, being imported from Germany, integrates many modern, highly automated functions, which optimise manufacturing costs and ensure efficient manufacturing management. The engineers and workers can also upgrade their working skills through on-job training, supervised by experts from Germany.

Since its inauguration in 2010, Sài Gòn – Quảng Ngãi Beer JSC has been one of the major revenue contributors to Quảng Ngãi Province.

SABECO contributed a total of more than VNĐ8 trillion over the past ten years (2011-21). Specifically, in 2021, the company contributed around VNĐ1.3 trillion to the provincial budget, a SABECO said.

Sài Gòn – Quảng Ngãi Beer JSC has contributed a total of VNĐ5.9 trillion over 10 years. The brewery contributed VNĐ1 trillion in 2019, and 871 billion as of November 2020.

### 9. NVL: Novaland to mobilise trillions of dong through bonds

↑ 0.26%

Novaland Group (NVL) has just approved a resolution related to increasing capital in subsidiaries and mobilising money through bond channels.

The real estate developer plans to pour another VNĐ500 billion (US\$21.8 million) into The Prince Residence JSC. The capital will be taken from the bond mobilisation approved by the Board of Directors in Resolution 26. The deal will be

executed in the first half of 2022. After that, the total ownership of Novaland in the company is 99.928 per cent of the capital.

It also agreed to issue more bonds to mobilise a maximum of VNĐ1.5 trillion (US\$65.6 million) with the collateral being NVL shares.

Money from the issuance is expected to be spent on The Prince Residence. Correspondingly,

Novaland's total ownership in the company will increase to 99.964 per cent of capital.

At the end of 2021, Novaland invested more than VNĐ430 billion in The Prince Residence.

The Prince Residence is the investor of the project of the same name in Phú Nhuận District, HCM City, and is also the parent company with a 70 per cent stake in Aqua City Co. Ltd., the investor of Novaland's key project in Đồng Nai.

Novaland has continuously raised capital through the bond channel recently, with the collateral being NVL shares, to invest in land fund expansion and participate in many projects.

Earlier this year, a joint venture between Novaland and Đất Tâm Investment JSC attracted investors' attention. The joint venture had held a meeting to

report the idea of planning the area of Đắk Glong District and Tà Đùng National Park, Đắk Nông Province, with the intention to build a large-scale tourism site.

The project has an area of about 23,500 hectares with seven subdivisions equipped with utilities and accommodation chains. The joint venture said that this would be one of the key projects with a unique cluster of golf courses on the mountain.

Novaland also has just approved the establishment of a subsidiary, Novaland Đất Tâm Real Estate Investment Company Limited, in the form of a limited liability company with two or more members.

The estimated charter capital is VNĐ100 billion, of which, the group will contribute VNĐ51 billion, equivalent to 51 per cent of the capital.

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