

Topic Name

Thesis Defense

2

Topic:

3

**THE EFFECT OF M&A ON
THE PERFORMANCE OF
PVCOMBANK AFTER
MERGING**

4

5

Group
Members

Group Members

2

3

4

5

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Table of Contents

2

CHAPTER I. INTRODUCTION

3

CHAPTER II. LITERATURE REVIEW

4

CHAPTER III. METHODOLOGY

5

CHAPTER IV. FINDING & ANALYZING

CHAPTER V. RECOMENDATION & CONCLUSION

Table of Contents

Topic Background:

2

3

4

5

Bad debts accounted for about 8.6% to 10% of the total debt (about 260-295 thousand billion dong).

In the early 2009, the first banks with 100% foreign capital were officially operated in Vietnam.

Introduction

1

Introduction

2

Topic Rationale:

3

**The comments about the changes
before and after the merger
between PVFC and Western Bank**

4

5

Introduction

Research Question

2

Question 1

Why is M&A a compulsory consequence after 2 years of negotiation?

3

Question 2

How does M&A effect on the performance of PVcomBank after the merger?

4

Question 3

How does the competitiveness of PVC after the merger?

5

Introduction

Research Objective

2

Analyze and
advance the
actual
situation of
PVcomBank

3

Highlight the
advantages,
disadvantages
& the major
reason by
concrete
analyzing

4

The level of
PVcomBank's
operation
effectiveness

5

1

Literature
Review

3

4

5

1

Literature Review

1. The situation of M&A in the world
2. Overview of M&A in Vietnam
3. Overview of M&A in banking industry during 2011-2014
4. Case M&A of PVFC and WesternBank
5. Literature gap

1

Literature
Review

3

4

5

6

Overview of M&A

Definition of M&A: One or more companies of the same type may be merged into another company

Type of M&A:

Horizontal

Vertical

Conglomerate

1

Literature Review

3

4

5

6

Overview of M&A

Basic process of M&A:

Developing strategy

Finding selection bank

Evaluating & accessing selection bank

Completing business negotiations

Uniting after merger

1

Literature
Review

3

4

5

6

Overview of M&A

Benefits of M&A:

Domestic economy

- Create healthy economy
 - Restruct the enterprise
- ➔ A good preparation for Vietnam enterprises

Bank after merger

- Non-financial Advantages
- Financial Advantages

1

Literature
Review

3

4

5

6

Overview of M&A

Limitations:

1

Conflicts of major
shareholders

3

Trend of shifting
human resources

2

Affected of interest's
small shareholders

4

Mixture of corporate
culture

1

Literature
Review

3

4

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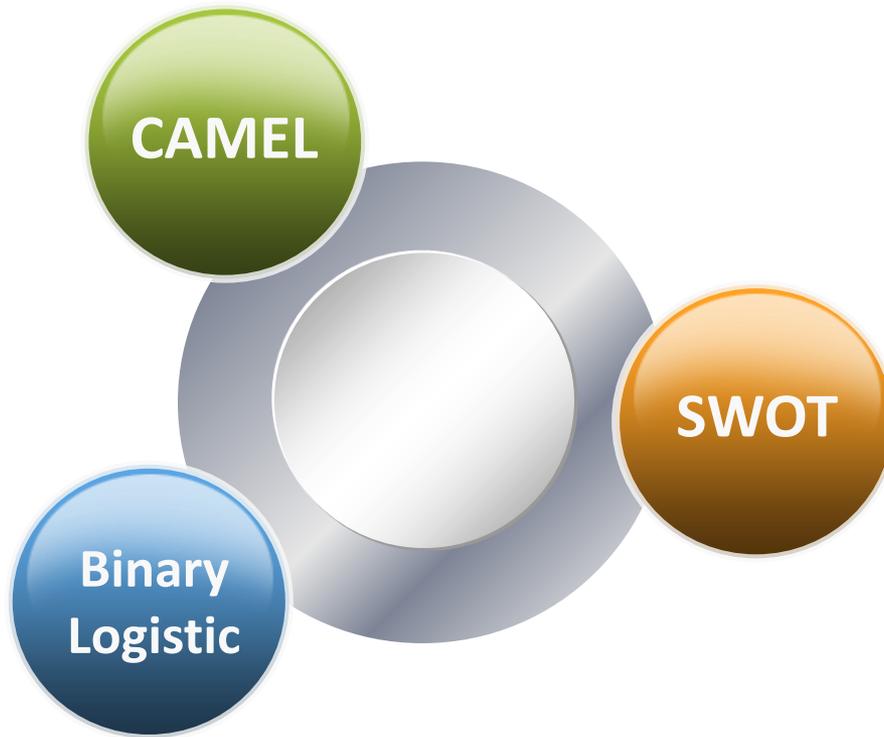
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Theory & Model

CAMEL

Binary
Logistic

SWOT



1

1

Methodology

2

1 Research Philosophy:
The development and the nature of knowledge

Methodology

4

2 Research Approach:
Induction

5

3 Research Subject:
The impact of M&A on performance and competitiveness

4 Research Scale:
PVcomBank before and after merger

1

1

Methodology

2

5

Research Period:

From early 2012 to late 2014

Methodology

6

Research Method:

The combination of both qualitative and quantitative

4

7

Research Strategy:

Participant Observation, Feedback & Survey

5

8

Nature of Research Design:

Descripto - Explanatory

1

1

Methodology

2

Data Collection:



Non-profitability

Methodology

4

Primary Data

- Survey
- Direct Interview
- Participant Observation

5

Secondary Data

- Annual Report
- Financial Statement

1

1

Methodology

2

Data Characteristic:

Methodology

Interview

- Qualitative data
- Follow research question
- Face to face interview
- Continuum
- Response bias

4

Documentation

- Descriptiveness
- Convenient for checking & review
- Available & public
- Accuracy information & data

5

1

2

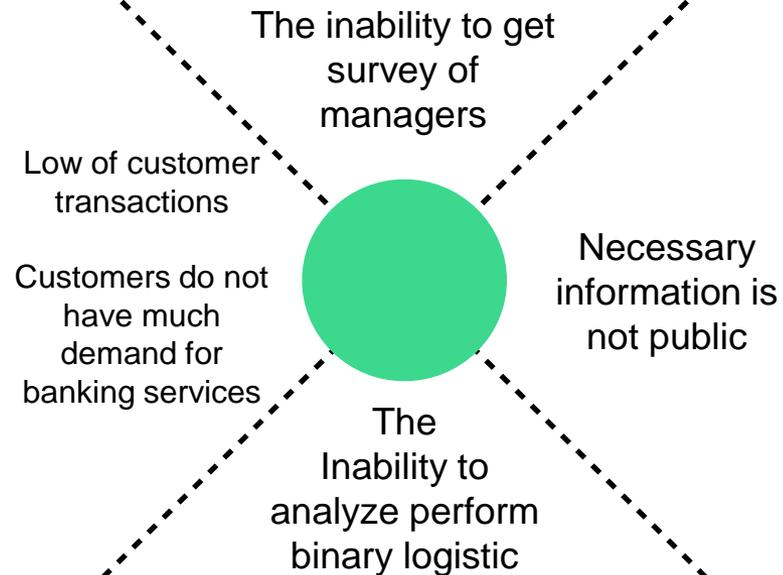
Methodology

4

5

2

Limitation



Reasons to promote M&A of PVFC and Wertern Bank

1

1

Summary about PVFC & Western Bank

2

3



- Established in March 2000
- 22 Ngo Quyen, Hoan Kiem District, Hanoi
- 6,000 billion VND of charter capital

Question 1

5



- Founded in late 1988
- The initial charter capital of 320 million VND
- 27 Ly Tu Trong, Ninh Kieu District, Can Tho City

Reasons to promote M&A of PVFC and Wertern Bank

1

2

3

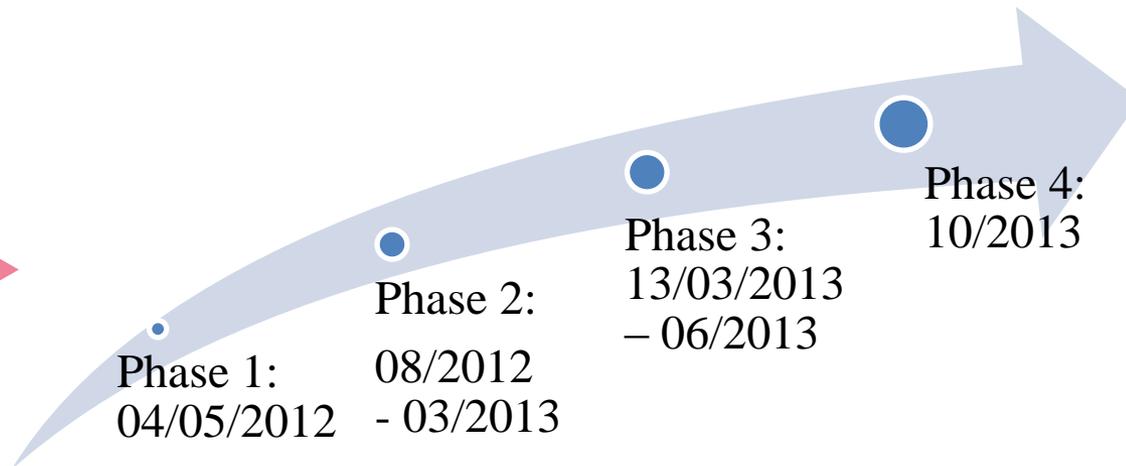
Question 1

5

2

Overview Transaction

Overview about the M&A transaction between PVFC & Western Bank:



Reasons to promote M&A of PVFC and Wertern Bank

1

2

3

Question 1

5

3

Reasons of M&A

Macro Reasons

- World financial crisis & inflation
- Vietnam commercial bank in 2009-2012
- Conditions of establishing new banks
- Government & State Bank
- Strategic vision of foreign groups

Micro Reasons

- Western Bank:
 - ✓ Credit decrease
 - ✓ Bad debt increase
- PVFC:
 - ✓ Non-bank financial
 - ✓ Government requirement

Reasons to promote M&A of PVFC and Wertern Bank

1

2

3

Question 1

5

4 A New Bank



Performance of PVcomBank after merging: Apply CAMEL model

1

1

CAPITAL

2

1

CAR

$$\text{CAR} = \left[\frac{\text{Tier I capital} + \text{Tier II capital}}{\text{risk weight asset}} \right] * 100$$

3

Question 2

Unit %	BID	VCB	MBB	ACB	TCB	VIB	PVC
Percentage of CAR	10.23	13.13	11	14.7	14.03	18	12.71

5

Performance of PVcomBank after merging: Apply CAMEL model

1

1

CAPITAL

2

2

Total Liability / Total Equity

3

Question 2

5

	2012	2013	2014
Total loan/ total mobilization		83.60%	59.58%
Total loan/ total equity	1220%	952%	1013%

Performance of PVcomBank after merging: Apply CAMEL model

1

1

CAPITAL

2

3

Total Liability / Total Deposit

3

Question 2

5

Year	2013	2014
The ratio of total debt / total capital raised	83.60%	59.58%

Performance of PVcomBank after merging: Apply CAMEL model

1

2

ASSET QUALITY

2

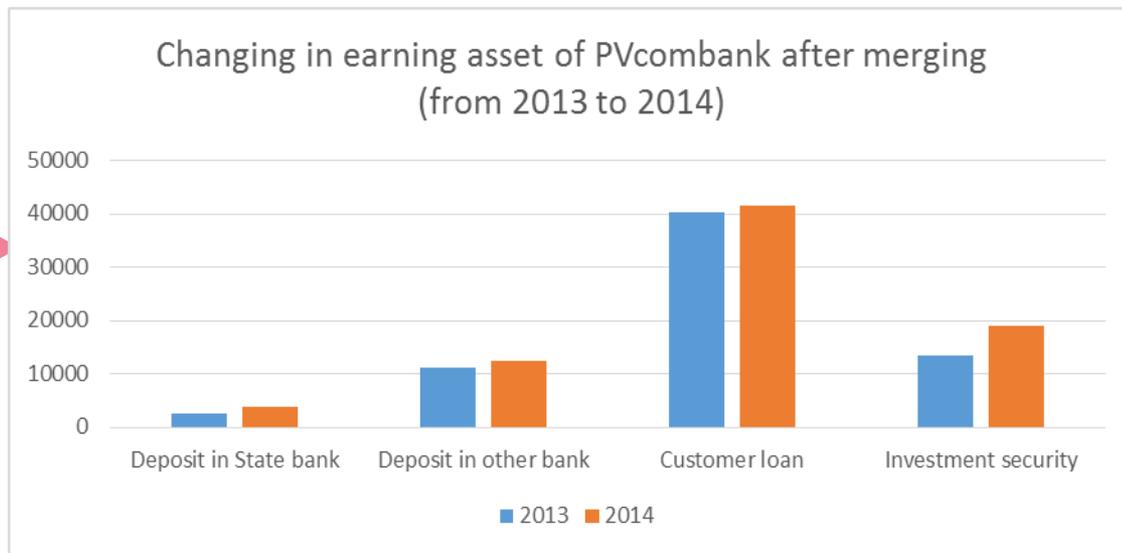
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Earning Assets

3

Question 2

5



Performance of PVcomBank after merging: Apply CAMEL model

1

2

ASSET QUALITY

2

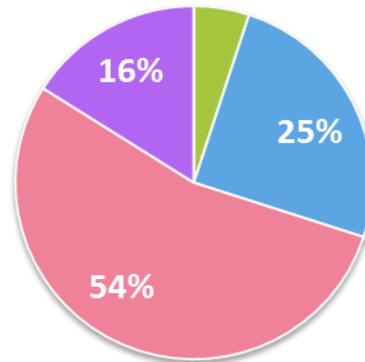
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Earning Assets

3

Question 2

5



- deposits in state banks 5%
- Investment securities 25%
- Customer loans 54%
- Deposit and lending credit institution 16%

Performance of PVcomBank after merging: Apply CAMEL model

1

2

ASSET QUALITY

2

2

The growth rate of asset

3

Question 2

5

	31/12/2014	31/12/2013	Growth rate
State bank deposits	\$3,832	\$2,581	48.47%
Deposit credit institutions	\$12,520	\$11,385	9.97%
Loan customers	\$41,606	\$40,016	3.97%
Investment securities	\$18,950	\$14,049	34.89%
Business securities			

Performance of PVcomBank after merging: Apply CAMEL model

1

2

ASSET QUALITY

2

3

Credit structure in industry

3

Question 2

5

Industry	VND	%
On agriculture, forestry and fisheries industry	307.685.977.855	0.75
Manufacturing and processing industry	6.703.657.917.374	12.56
Production of electricity, gas, steam and air conditioning	10.180.759.867.872	24.76
Business activity of real estate	2.869.166.605.810	6.99

Performance of PVcomBank after merging: Apply CAMEL model

1

2

ASSET QUALITY

2

4

Provision for risks

3

Question 2

5

Ratios	2012	2013	2014
NPL to total loan	4.84%	4.03%	2.88%
PLL ratio		3.42%	2.51%

Performance of PVcomBank after merging: Apply CAMEL model

1

3

MANAGEMENT

2

1

Objective & Orientation

3

2

In organizational model, staffing and training

3

Service quality development

Question 2

4

Information technology systems

5

5

Network development, brand communication

Performance of PVcomBank after merging: Apply CAMEL model

1

4

EARNING

2

1

ROE

3

Question 2

5

Ratio	2013	2014	ROE Index Sector 2014
ROE	0.58%	1.87%	10%
Net income	27,909	181,678	

Performance of PVcomBank after merging: Apply CAMEL model

1

4

EARNING

2

2

ROA

3

Question 2

5

Index	2012	2013	2014	ROA entire sector in 2014
ROA	0.05%	0.06%	0.15%	1%

Performance of PVcomBank after merging: Apply CAMEL model

1

4

EARNING

2

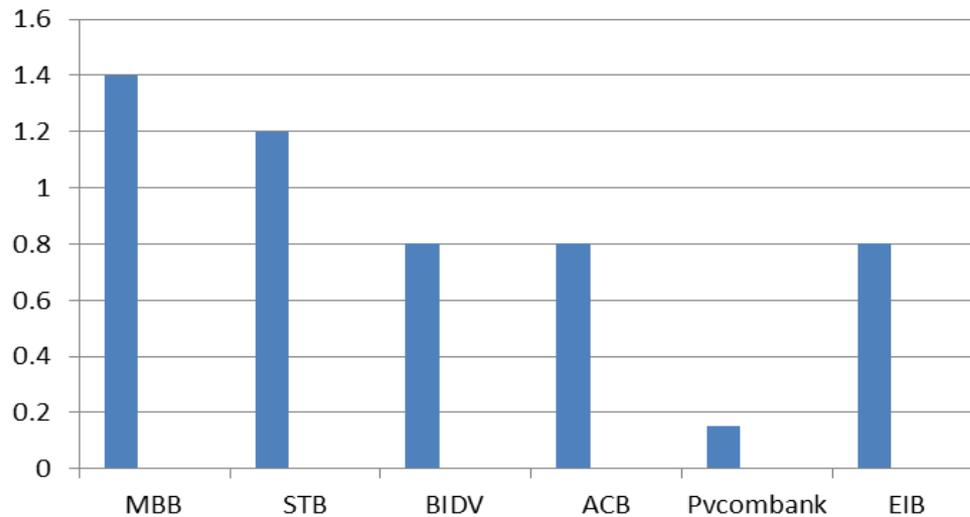
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ROA

3

Question 2

5



Performance of PVcomBank after merging: Apply CAMEL model

1

4

EARNING

2

3

NIM

3

Index	2012	2013	2014
NIM	-1.30%	-0.21%	-0.67%

Question 2

5

	2013	2014	Growth rate
Interest income	1,160	4,898	322%
Interest expense	1,224	5,393	340%

Performance of PVcomBank after merging: Apply CAMEL model

1

4

EARNING

2

4

Net profit / Net sales

3

Question 2

5

	2013	2014	Percentage
Net profit/Net sale	1.75%	2.58%	
Operating expenses	386,397	1,402,485	262%

COMPETITIVENESS OF PVCOMBANK AFTER M&A

1

2

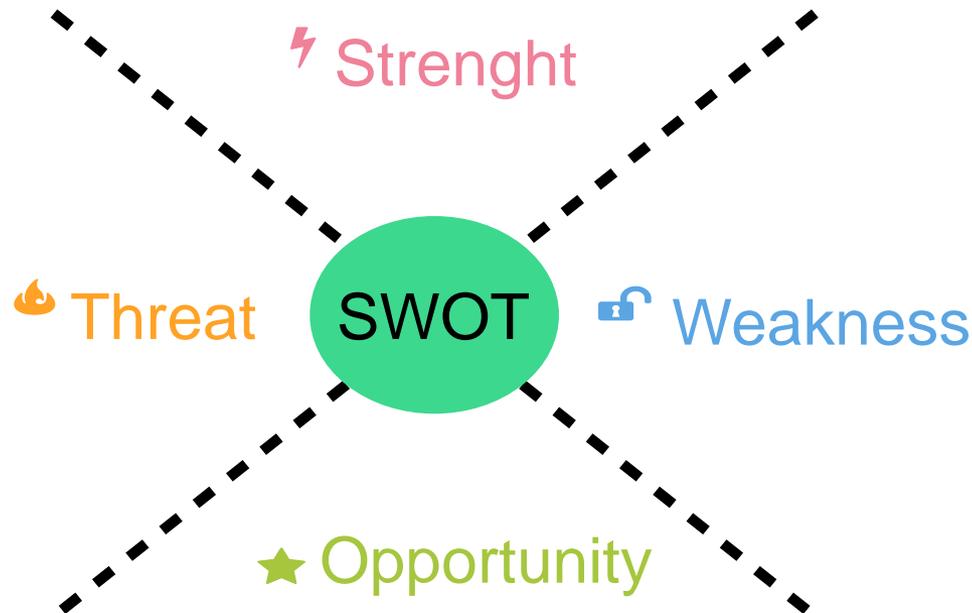
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Question 3

5

4

APPLY SWOT



STRENGTH

1

Scale & total assets increase & facilitate to access the capital better

2

3

Question 3

5



Scale

- Total asset: ~100,000 billion
- Charter capital: 9,000 billion
- Branches: 110



HR

2030 employee in
31/12/2014

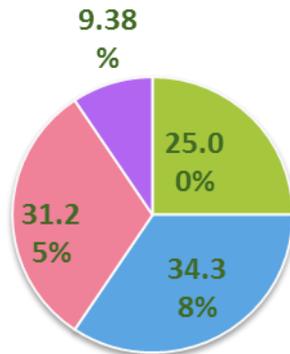
STRENGTH

1

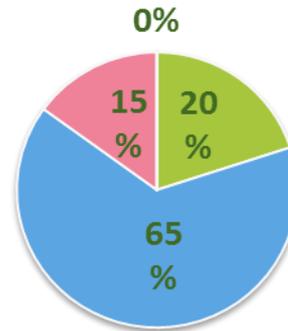
Modern infrastructure, professional workforce

2

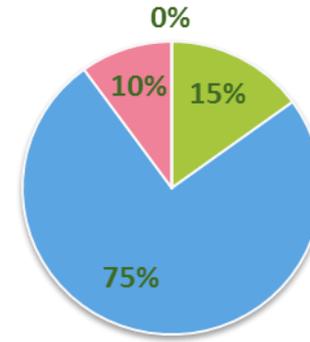
Satisfaction with work style, service attitude of staff PVcomBank



Staffs are regularly trained and improved professional skills.



Staff self-assessment of their working capacity



■ Very satisfied ■ Satisfied ■ Ordinary ■ Not Satisfied

Question 3

5

STRENGTH

1

2

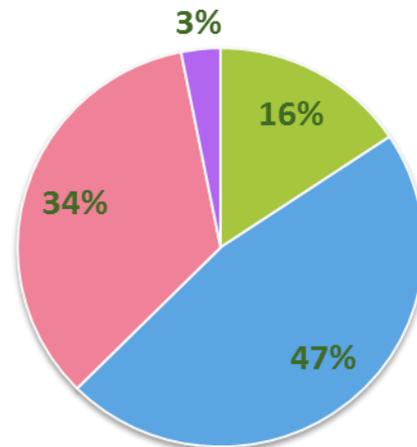
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Question 3

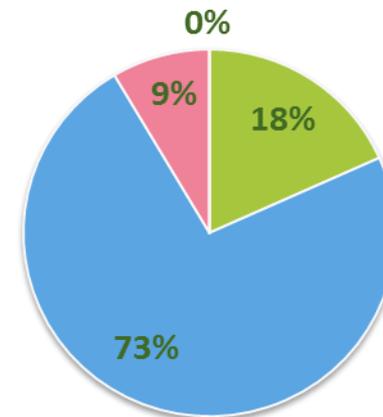
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**Modern facilities,
comfortable working environment.**

**Customer satisfaction to
the facilities of
PVcomBank after merger**



**The evaluation of
PVcomBank employees
for the current facilities**



■ Very satisfied ■ Satisfied ■ Ordinary ■ Not Satisfied

STRENGTH

1

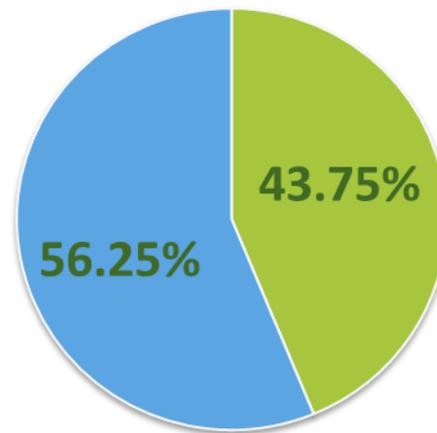
Utilize the loyal customers of Western Bank and PVFC.

2

Did you use the services of Pvcombank before or after M&A?

3

Question 3



■ Before M&A

■ After M&A

5

STRENGTH

1

The strategy, the vision is set up in logical way, clearly with each department, help staffs approach targets easier

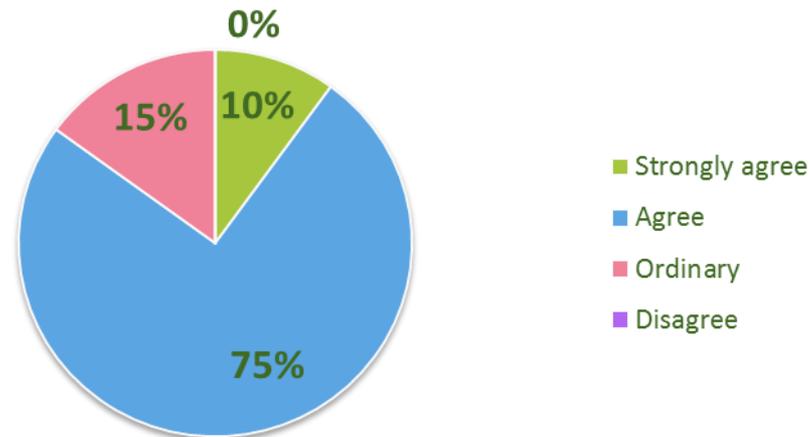
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3

Question 3

5

Staff are knowledgeable about the responsibilities and rights in their work



WEAKNESS

1

Non-financial

2



Branches and transaction offices system still not meet the size of the charter capital

3



Senior personnel do not have sufficient expertise



Brand promotion does not bring high efficiency



Banking services are not really meet the needs of customers, technology services or international payment services are not available

Question 3

5

WEAKNESS

1

2

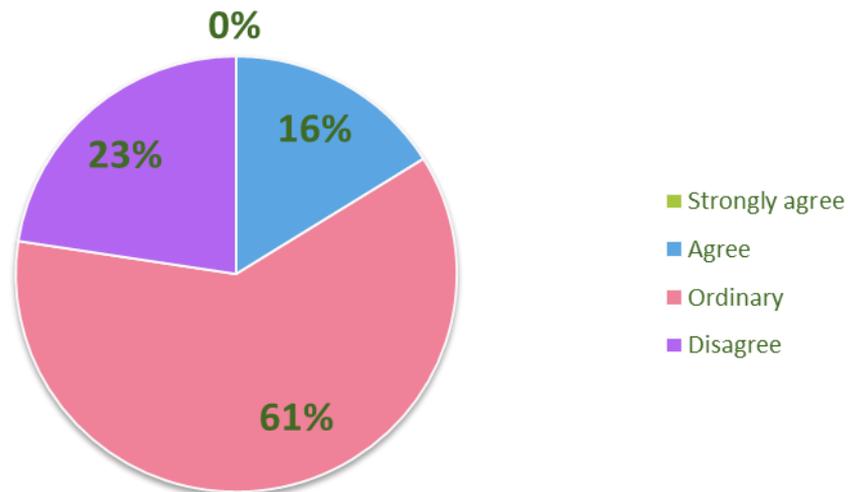
3

Question 3

5

Brand promotion does not bring high efficiency

Brand promotion activities of Pvcombank after merged is highly effective



WEAKNESS

1

Banking services are not really meet the needs of customers, technology services or international payment services are not available

2

Does Pvcombank regularly explore the needs of customers to provide the best service?

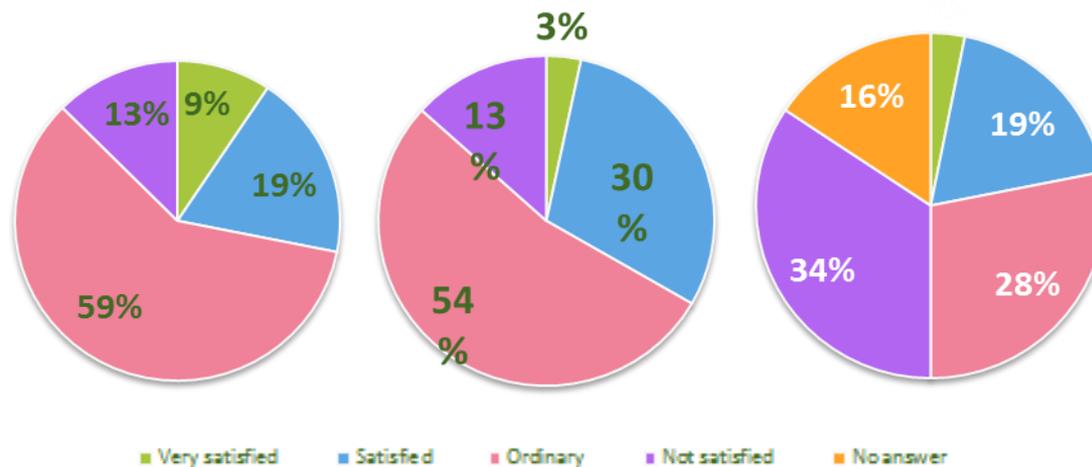
Does Pvcombank regularly offer customer care activities on special occasions?

Are you satisfied with international payment card of PVcombank?

3

Question 3

5



WEAKNESS

1

2

3

Question 3

5

The change in corporate culture and work environment made staff are difficult to adapt and come under pressure



WEAKNESS

1

Financial

2



3

Finance and bad debts remain a burden, cost and credit risk management is still low.

The informations related to finance is not publicly transparent, causing misunderstanding or difficulties for the customers as well as investors

Question 3

5

OPPORTUNITY

1

Financial

2

1

Be supported by government & state bank in capital, legal procedures & policies

3

2

The government imposed requirements of reducing weak banks, or inter-bank cooperation & the opponents

Question 3

3

Maintain the exchange rate

5

OPPORTUNITY

1

2

3

Question 3

5

Financial

4

Joining WTO brings new opportunities for the development of foreign trade & international services.

5

New technologies are supported in providing services.

6

E-commerce is gradually developing in Vietnam.

THREAT

1

The competition is getting fiercer & the competitors' services are diverse more

1

2

The divestments of PVN

2

3

Question 3

Vietnam legal regulations take a long time in bad loans and collateral treatment, negative effect on short-term liquidity.

3

5

The interest rate risk, exchange rate risk, economic shock

4

THREAT

1

Customers distrust reduces the number of potential customers

5

2

Vietnam consumer habits do not use card payment system.

6

3

Question 3

Vietnam banking university system is not depth in training on language skills, IT

7

5

The ATM system is not really safe because there are many cases in which the hacker to steal money from ATMs

8

THREAT

1

2

3

Question 3

5

State Bank and PVN disagree with support requests from PVFC and Western Bank.

9

State Bank

- Interest rate
- Require reserve
- Loan of Vinashin and Vinaline

PVN

- Require to support in restructure period
- Extra deposit at amount of 7.000 billion
- PVN divests slowly
- Remain in using PVcomBank service

1

Q1

Reasons to promote M&A of PVFC and Wertern Bank

2

Bad debt of 2 organizations

Reasons from Western bank

Reasons from PVFC

3

4

=> M&A between PVFC and Western Bank, to become the new bank, PVcomBank

=> Limitation

RECOMMENDATION & CONCLUSION

1

Q2

Performance of PVcombank after merging CAPITAL

2

3

4



- **CAR decreases**
- **Poor in using financial leverage and tax shield**



- ❖ **Solution**
- Tier 1 capital has to increase to ensure the ability to resist financial shocks immediately.
- Exploiting Financial Leverage and tax shield

RECOMMENDATION
& CONCLUSION

1

Q2

Performance of PVcomBank after merging ASSET

2



- Internal transaction of PVN
- Low in customer loan portfolio

3



- ❖ **Solution**
 - Restructure earning assets portfolio

4



- ❖ **Recommendation**
 - Transfer assets from other credit institution deposits to the credit portfolio

RECOMMENDATION
& CONCLUSION

1

Q2

Performance of PVcomBank after merging EARNING

2

High bad debt

❖ Solution

- Completed bad debt procedure
- Control, observe credit process...
- Increase PLL

3

❖ Recommendation

- Sell bad debt for VAMC
- Loan syndication

4

RECOMMENDATION
& CONCLUSION

Profit decrease

❖ Solution

- Increase Net income
- Cost management

❖ Recommendation

- Administrative solutions
- Improve organization structure
- Remuneration solutions
- Quality solutions
- Diversity service

Low EPS

❖ Solution

- Use the different EPR evaluation

1

Q2

Performance of PVcomBank after merging LIQUIDITY

2



- Short-term liquidity situation is very bad

3



❖ Solution

- Make the most revenue from earning assets
- Increase mobilization
- Liquidate old loan

4



❖ Recommendation

- Increase number of short term asset
- Increase deposit rate, incentives package
- Mobilizing reliable source

RECOMMENDATION
& CONCLUSION

1

Q3

Competitiveness of PVcomBank after merging MANAGEMENT

2



Employees are lacking in some important skills

3



❖ **Solution**

Improve some skills

4



➤ **Recommendation**

- Training skills and sharing experiences
- Experience in human management

RECOMMENDATION
& CONCLUSION

1

Q3

Competitiveness of PVcomBank after merging MARKETING

2



**Brand promotion is still not really attracted
the attention of customersng assets**

3



❖ **Solution**

- Specific branding marketing strategy
- Providing and diversity service
- Advertising in retail store, university

4



❖ **Recommendation**

- Link with petroleum university
- Social activities, scandal limitation
- Co-organize some art events
- Organize contests brand

**RECOMMENDATION
& CONCLUSION**

1

Q3

Competitiveness of PVcomBank after merging SERVICE

2



- Banking services aren't competitive and diverse
- The service wasn't based on the customers' needs
- International payments services & international transaction are not diversified

3



❖ Solution

- Diversity retail service
- Service must match to the need of customer
- Decrease time of taking service
- Improve international trading service

4



❖ Recommendation

- Focus more on retail banking services
- Improve internet banking
- Understand the need of customer
- Established command the approver command should need 2 separate accounts
- Control and check back after service are inefficiently

RECOMMENDATION
& CONCLUSION

1

Q3

Competitiveness of PVcomBank after merging CULTURE

2



The change in corporate culture and work environment causes negative psychological to staff

3



❖ Solution

- Stabilize and clarify corporate culture
- Make difference and strong bonding between members in the bank

4



❖ Recommendation

- Management need to build the process of building a corporate culture
- Develop the bank with strong cultural and suitable with the objectives and long-term strategy

RECOMMENDATION
& CONCLUSION

1

Q3

Competitiveness of PVcomBank after merging STRUCTURE CAPITAL

2



The divestment of PVN and PVcomBank cause changes in charter capital

❖ Solution

- Understand the threats of this issue
- Provide short-term solution for each period
- The long-term solution for the capital compensation

3



❖ Recommendation

- The divestment should have a specific agenda and implement in a long-term
- Promote asking for investment from outside investors
- Sell shares which PVN has divested to state banks and large banks

4



RECOMMENDATION
& CONCLUSION

1

2

3

4

RECOMMENDATION
& CONCLUSION

CONCLUSION



❖ Conclusion

- M&A have the impact for the structure capital of PVcomBank bank and its performance and competitiveness
- The limitation of research

❖ Direction future research

