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## ABBREVIATION LIST

Abbreviation	Content
BoE	Bank of England
BoJ	Bank of Japan
CAR	Capital Adequacy Ratio
CBs	Central Banks
CIC	Credit Information Center
CIs	Credit Institutions
ECB	European Central Bank
FCD/M2	Foreign Currency Deposit/M2
FDI	Foreign Direct Investment
Fed	Federal Reserves
FII	Foreign Indirect Investment
FX reserves	State foreign exchange reserves
ICOR	Incremental Capital Output Ratio
JCB	Joint-Stock Commercial Bank
M2	Total Liquidity
MP	Monetary policy
NCG	Net Claims to the Government
NDA	Net Domestic Asset
NFA	Net Foreign Asset
NPLs	Non-performing Loans
PboC	People's Bank of China
PCF	People's Credit Fund
ROA	Return on Asset
ROE	Return on Equity
SBV	State Bank of Viet Nam
SOCBs	State-owned Commercial Banks
TFP	Total Factor Productivity
WTO	World Trade Organization

## STATUS AND FUNCTIONS OF THE STATE BANK OF VIET NAM



*Headquarters, 49 Ly Thai To Str., Ha Noi, Viet Nam*

□ The State Bank of Viet Nam is a ministerial-level agency of the Government, Central Bank of the Socialist Republic of Viet Nam which performs state management over monetary, banking activities and foreign exchange; plays the role of a central bank issuing banknotes, acts as the bank of the credit institutions and the monetary service provider for the Government.

*Summary of Article 2, 2010 Law on the State Bank of Viet Nam*

□ The national monetary policies include national decisions of state authorities on the currency value stabilizing objectives represented by inflation target, use of proper instruments and measures to fulfill the set objectives.

*Clause 1, Article 3, 2010 Law on the State Bank of Viet Nam*

□ The National Assembly determines annual inflation targets reflected by consumer price index and supervises the implementation of the national monetary policies.

*Clause 2, Article 3, 2010 Law on the State Bank of Viet Nam*

□ The Government submits to the National Assembly for decision on annual inflation targets. The Prime Minister, the Governor of the State Bank decides to use proper instruments and measures to realize monetary objectives in accordance with the regulation of the Government.

*Clause 4, Article 3, 2010 Law on the State Bank of Viet Nam*





## MANAGEMENT BOARD OF THE STATE BANK OF VIET NAM



**Mr. Le Minh Hung**  
Governor



**Mr. Dao Minh Tu**  
Deputy Governor



**Ms. Nguyen Thi Hong**  
Deputy Governor



**Mr. Nguyen Kim Anh**  
Deputy Governor



**Mr. Doan Thai Son**  
Deputy Governor





Governor  
Le Minh Hung

## Forewords by the Governor

The year 2019 was featured by complicated international situation and many unfavorable factors. The world economy grew at the lowest rate since the 2008-2009 financial crisis; the downturn cycle in developed countries became evident; global trade slumped; trade tensions between major economies intensified; global commodity, monetary and financial markets fluctuated complicatedly; and international markets were overwhelmed by negative sentiment. These were the main reasons explaining the change in central banks' position to loosening MP (Fed, ECB, PBoC,...) through lowering policy interest rates to support economic growth. The dollar rose slightly on the world market. In the country, endogenous difficulties and limitations of the economy had not been completely overcome, in the mean time, natural disasters, climate change and epidemics (particularly African pig cholera) affected production and the livelihood of people. Together, they produced adverse impact causing enormous difficulties and challenges for MP management of the SBV in fulfilling the objectives of controlling inflation, stabilizing monetary and foreign exchange markets and supporting economic growth.

However, with the drastic, close and firm instruction from the Government and the close coordination from other ministries and agencies, the SBV, in sticking to the goals set by the National Assembly, the Government and the macroeconomic developments managed MP in active, flexible and prudent manner and in close coordination with fiscal and other macroeconomic policies. Its policy management was consistent with the ultimate goals of inflation control and maintenance of macroeconomic stability, thus contributing to economic growth and ensuring the safety of the banking system. Belows were the SBV's solutions to management of policy management and the banking system:

*Firstly*, good monetary control kept the annual average core inflation at the rate of 2.01 percent, creating room for the economy to absorb adverse external shocks and for the Government to adjust price of goods under SBV control. The continuation of synchronous, harmonious, smooth management of MP in coordination with other macroeconomic policies, particularly in the complicated conditions of epidemics, helped to control annual average inflation rate at 2.79 percent, the lowest level in the past three years compared with the target of about 4.0 percent. This result confirmed the market's confidence in the ability of the Government and the SBV to control inflation.

*Secondly*, the management of MP made contribution to the achievement of economic growth rate of 7.02 percent, making Viet Nam belong to the group of countries with the highest growth rates in the region. The SBV deployed many solutions to remove difficulties for production and doing business, ensure adequate and timely credit provision in meeting legitimate capital needs of the economy, contributing to curbing

usury. Credit continued to be tightly controlled and encouraged to be flowed to the real economy and business sectors, creating a driving force for development and contributing to the renovation of growth models as well as improving the efficiency of capital usage of the economy. Foreign currency credit continued to be controlled in accordance with the roadmap of dollarization decrease in accordance with the Government's policy; credit for potentially risky areas was controlled; and the effectiveness of bank-business connection programs continued to be paid attention to and promoted.

*Thirdly*, the synchronous management of MP tools contributed to improving the efficiency of monetary regulation, ensuring smooth liquidity and stabilizing the money market; reducing the interbank interest rate, thereby contributing to reducing the lending interest rate for the economy.

*Fourthly*, the decrease in market interest rate created room for the economy and the banking system to cope with complicated fluctuations of global economy and financial market. In the context that many central banks had cut interest rates to cope with globally economic, financial and monetary uncertainty; and domestic macro economy had been stabilized, inflation had been controlled, and there had been favorable developments in monetary and foreign exchange markets, in September 2019, the SBV, therefore, reduced policy interest rate by 0.25 percentage points.

*Fifthly*, despite great pressure from international market fluctuations, particularly trade tensions between major countries, domestic foreign exchange market was stably managed, exchange rate moved in accordance with market conditions and MP objectives. Market liquidity was guaranteed, legal foreign currency demand of the economy was fully and promptly met, and the SBV purchased a large amount of foreign currency, hence accumulating the national foreign exchange reserves to a record level, enhancing national financial capabilities and creating room to withstand external shocks.

*Sixthly*, the restructuring of CIs continued to be promoted, solutions to deal with non-performing loans (NPLs) were deployed synchronously with measures to prevent new NPLs. Thereby, the stability and safety of the CI system continued to be strengthened, there witnessed a yearly gradual increase in charter capital and the continuing extension of the size of the CI system; and a gradual improvement in management capacity, internal inspection and audit, risk management, and transparency of CIs, step-by-step approaching international practices; NPLs are controlled and resolved effectively.

*At the same time*, other activities continued to be effectively undertaken by the SBV for achieving objectives of MP and state management over the banking sector such as: promoting non-cash payments and enhancing security and safety of payment activities; implementing gold market management solutions; strengthening administrative reform, improving business environment; pushing up communication; promoting the management role of the SBV's provincial branches; renewing and improving statistics, staffing, training, scientific research, emulation and commendation; actively

implementing financial supervision, etc. In addition, the SBV continued to well perform the representation at international financial and monetary institutions, developed and expanded bilateral as well as multilateral relations with other central banks and financial institutions to enlist the support and assistance for Viet Nam in the international arena.

The SBV continued to succeed in its proactive and synchronous implementation of solutions, management of MP and banking activities in 2019 amidst complicated world economic movements, thereby contributing to the successful implementation of the 2019 socio-economic development targets and indicators, which helped make 2019 the second consecutive year of achievement and overcoming of all twelve targets assigned by the National Assembly. Economic growth exceeded the set target, inflation was controlled, major economic balances were consolidated; trade surplus and foreign exchange reserves were at record high levels; and investors' and people's confidence in the business environment was strengthened. The stable macro economy with high growth prospects laid the foundation for international credit rating agencies (Standard & Poor and Fitch Ratings) to raise Viet Nam's credit rating and outlook.

In 2020, there remains significant difficulties and challenges for the banking industry. However, with the positive results achieved in the past years and the instruction of the Party and the State, the close coordination of other ministries, agencies and localities, the SBV will keep striving to well achieve the tasks assigned by the Party, the State and the people, creating robust changes to successfully implement the tasks of the 2016-2020 Socio-Economic Development Plan, thus creating momentum for the 2021-2025 Plan.

*Governor of the State Bank of Viet Nam*

A handwritten signature in blue ink, appearing to be 'L. Minh Hung', written over a horizontal line.

**LE MINH HUNG**

## DEPARTMENTS AND ADMINISTRATION UNITS OF THE STATE BANK OF VIET NAM

### *Monetary Policy Department*

Advises and assists the Governor of the SBV in determining instruments in carrying out national MP such as refinancing window, interest rate, exchange rate, reserve requirements, open market operations, and others for the conduction of national monetary policies.

### *Foreign Exchange Management Department*

Advises and assists the Governor in carrying out state management function over foreign exchange, foreign exchange activities and gold trading in accordance with applicable laws and regulations.

### *Payment Department*

Advises and assists the Governor in carrying out the state management function over payment and settlement of the economy in accordance with applicable laws and regulations.

### *Economic Sectoral Credit Department*

Advises and assists the Governor in carrying out the state management function over bank credit to economic sectors in accordance with applicable laws and regulations.

### *Forecasting and Statistics Department*

Advises and assists the Governor in carrying out forecasting and statistics in accordance with applicable laws and regulations.

### *International Cooperation Department*

Advises and assists the Governor in carrying out the state management function over international cooperation and integration within the SBV's scope of management in accordance with applicable laws and regulations.

### *Monetary and Financial Stability Department*

Advises and assists the Governor in stabilizing the monetary and financial systems within the SBV's scope of state management.

### *Internal Audit Management*

Advises and assists the Governor in carrying out internal audits and control over the SBV Units' operations.

### *Legal Affairs Department*

Advises and assists the Governor in conducting state management via laws in the fields of monetary, banking operations and foreign exchange.

### *Finance and Accounting Department*

Advises and assists the Governor in the SBV financial, accounting operations, capital investments, conducting the state management function over accounting, finance, and capital investments in the banking sector.

### *Personnel and Organization Department*

Advises and assists the Governor and the SBV's Party Committee on human resources management, staffing, management and use of civil servants, officials, remunerations and others within the SBV's scope of management as stipulated in applicable laws and regulations.



<i>Emulation and Rewarding Department</i>	Advises and assists the Governor in carrying out the state management function on emulation and rewarding in the banking sector in accordance with applicable laws and regulations.
<i>Communication Department</i>	Advises and assists the Governor in managing and organizing communication activities in the banking sector that relate to the SBV's state management function.
<i>SBV Office</i>	Advises and assists the Governor in his leadership over banking activities, implements the SBV's administrative reform, manage archive and administrative works of the banking system in accordance with applicable laws and regulations.
<i>Banking Information Technology Department</i>	Advises and assists the Governor in carrying out the state management function over information technology in the banking sector and development and application of information technology in the SBV.
<i>Issue and Vault Department</i>	Advises and assists the Governor in carrying out the state management and central bank functions over currency issuance and vault operations in accordance with applicable laws and regulations.
<i>Administration Department</i>	Assists the Governor in managing public assets (excluding those transferred to income-generating administrations) assigned by the Governor and administrative and logistic activities in Ha Noi city and Ho Chi Minh city including: managing assets, finance, technical infrastructure, security, and taking care of living conditions and healthcare of the SBV staff.
<i>Central Banking Department</i>	Advises and assists the Governor in conducting central banking operations.
<i>Banking Supervision Agency</i>	A General Department level agency of the SBV. It advises and assists the Governor in implementing state management function over CIs, foreign bank branches, as well as inspection, banking supervision, complaint and denunciation resolutions, anti-corruption and anti-money laundering, deposit insurance. It conducts administrative and professional inspections and banking supervision in the areas under the SBV's state management. It conducts anti-money laundering and counter-terrorism financing in accordance with applicable laws and regulations and as assigned by the Governor.
<i>Municipal and provincial branches</i>	Advises and assists the Governor in implementing the state management function over monetary, banking and foreign exchange operations in their local areas. They conduct several central banking operations as delegated by the Governor.

## ADMINISTRATIVE UNITS AND UNITS ESTABLISHED BY THE GOVERNOR

<i>Banking Strategy Institute</i>	Undertakes researches and builds banking development strategies, projects and plans; organizes researches, development and control of the implementation of banking science and technology missions in meeting the SBV's requirements in accordance with applicable laws and regulations.
<i>Viet Nam's National Credit Information Center</i>	A public administrative agency. It undertakes the function of national credit registration. It collects, processes, stores and analyzes of credit information; prevents and minimizes of credit risk; conducts credit marking and rating of legal entities and individuals within Viet Nam's territory in serving the SBV's state management in accordance with the SBV's rules and applicable laws and regulations.
<i>Banking Times</i>	A speaker and social forum of the banking sector. It disseminates the Party's orientation and guidelines, the State's legislation and policies, and banking operations in accordance with the SBV's rules and applicable laws and regulations.
<i>Banking Review</i>	A speaker and professional forum on banking theories, operations, science and technology. It disseminates the Party's orientation and guidelines, the State's legislation and policies, banking operations and achievements in banking science and technology and other relevant areas in accordance with the SBV's rules and applicable laws and regulations.
<i>Banking Training School</i>	Trains and strengthens human resource capacity; provides with staff of the SBV and the banking sector with up-to-date professional knowledge and skills.
<i>Banking Academy</i>	Trains and strengthens human resource capacity in the fields of economic and banking-finance at intermediate, college, undergraduate and graduate levels and in other areas as authorized.



## Part I – World and Viet Nam's economy

### 1. World economy overview

In 2019, global economy growth was lowered under the impact of trade tensions between major countries, the risk of a Brexit without any agreement, geopolitical risks in many regions; global trade slumped. The level of inflation and commodity price in the world was lower than the same period (average WTI oil price in 2019 decreased by 12.6 percent,) the USD rose slightly on international market. International organizations continuously revised down their global growth forecasts for 2019-2020. In that context, many central banks worldwide turned to loose MP to support economic growth.

#### 1.1. World economic growth

According to the International Monetary Fund (IMF)<sup>1</sup>, world economic growth rate in 2019 reached 2.9 percent, lower than the growth rate of 3.6 percent in 2018; global inflation slowed down, from 3.6 percent in 2018 to 3.5 percent in 2019.

*The U.S.'s economy* grew at the rate of 2.3 percent (2018: 2.9 percent), lower than 2018 due to the impact of trade tensions and the global slowdown, but 2019 marked the ever longest expansion cycle of the US economy in history - 11 years. Labor market was well maintained (unemployment rate decreased from 3.9 percent in 2018 to 3.5 percent at end- 2019, the lowest in almost 50 years,) thereby spurring consumption. In the context of the economic outlook slowing down, the Fed reduced policy interest rate three times down to 1.5-1.75 percent. Budget deficit as of end-2019 FY was at a 7-year high, amounting to USD 984 billion, an increase of 26 percent compared to 2018 FY, equivalent to 4.6 percent of GDP. Public debt in 2019 increased from 106.9 percent of GDP in 2018 to 109 percent of GDP. Inflation rate slowed down, from 2.4 percent in 2018 to 1.8 percent in 2019.

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*World economy grew at a lower rate in 2019 under the impact of trade tensions between major countries. Global inflation and world commodity price were lower than the same period last year; core inflation in countries was lower than targets.*

<sup>1</sup> World Economic Outlook Report, April 2020, the IMF.

*The Eurozone's economy* grew at a low pace, 1.2 percent only, down from 1.9 percent in 2018, the growth rate was slowed down since the second quarter under the impact of trade tensions between major countries, risk of hard landing Brexit hard, etc. Industrial production fell for 12 consecutive months. Growth rate in all key economies was low, specifically Germany: 0.6 percent (2018: 1.5 percent); France: 1.3 percent (2018: 1.7 percent); Italy: 0.3 percent (2018: 0.8 percent); Spain: 2.0 percent (2018: 2.4 percent). Public debt decreased slightly from 85.9 percent of GDP in 2018 to 84.1 percent of GDP in 2019, but public debt in many countries remained at a high level, particularly Greece: 179.2 percent of GDP; Italy: 134.8 percent of GDP. Inflation rate regionwide decreased from 1.8 percent in 2018 to 1.2 percent in 2019. The highlight of Eurozone economy was that unemployment rate dropped to the lowest level since May 2008 (at 7.4 percent by end-2019).

*Japan's economy* grew at 0.7 percent (2018: 0.3 percent). Growth slowed down over the quarters (Q1: 0.6 percent; Q2: 0.5 percent; Q3: 0.1 percent; Q4: -1.6 percent) in which the fourth quarter recorded the strongest decline since 2014Q2, when private consumption decreased by 2.9 percent for the first time in more than a year after the Government raised consumption tax in October 2019. Production stagnated, exports continued to decline due to the impact of trade tensions between major countries. Public debt was at 237.4 percent of GDP (2018: 236.5 percent of GDP). Inflation rate was 0.5 percent in 2019, lower than 1 percent in 2018.

*Emerging and developing countries* experienced slower growth. Growth in this group of countries in 2019 was 3.7 percent, lower than the level of 4.5 percent in 2018. Among the BRICS, China's economy had the slowest growth rate in the last 29 years, reaching 6.1 percent (2018: 6.6 percent) amid declining domestic and external demand. China's inflation increased from 2.1 percent in 2018 to 2.9 percent in 2019. Brazil's economy grew by 1.1 percent (2018: 1.3 percent). Russia's economy grew at slower pace, 1.3 percent only (2018: 2.5 percent) due to

a decline in exports while household spending increased slowly. In 2019, India became the 5<sup>th</sup> largest economy in the world; but its growth rate slowed down, reaching 4.2 percent (2018: 6.1 percent). ASEAN countries grew at 4.8 percent (2018: 5.2 percent), of which, Malaysia's and Thailand's growth rate was lower than that in 2018 (4.3 percent, 2.4 percent, respectively compared to 4.7 percent and 4.2 percent of 2018.) Average inflation rate in emerging and developing countries increased from 4.8 percent in 2018 to 5 percent in 2019.

*Global trade* declined due to an increase in trade protections and trade tensions between major countries, up by 0.9 percent only - the lowest level since 2012 (2018: 3.7 percent). According to a research by WTO, in the period between October, 2018 and October, 2019, total trade value affected by WTO members's trade restriction/protection measures was estimated to be about USD 747 billion - the highest level since October 2012, up 27 percent y-o-y.

## 1.2. Monetary policy management in some countries

In 2019, MP in countries tended to shift to loosen in many forms, but mainly to policy interest rates cut. For the whole year 2019, 64 central banks worldwide lowered interest rates 148 times.

*For developed countries*, CBs mostly shifted from tightening MP to prudent management in the first half of the year and loosening in the second half of the year to support macroeconomic goals. The Fed lowered interest rates 3 times, bringing the Fed Fund rate to 1.5-1.75 percent; at the same time, bringing the program of scaling down balance sheet to an end to bring inflation back to the target level of 2 percent and support economic growth in the context of the escalating trade conflict with China. The ECB slightly lowered the interest rates of commercial banks' deposit at the ECB and restarted the asset purchase program. CBs of New Zealand and Australia respectively cut policy rates 02 and 03 times with a total reduction of 0.75 percent. The BoE and the BoJ continued to keep policy interest rates to support the

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*In the context of slowing world economic growth, many central banks turned to loosen MP to support economic growth.*

economy in the face of complicated world situations and the difficult Brexit process.

*As for emerging and developing countries,* in the context that global supply chains was suffered, China economic growth slowdown, emerging and developing countries chose to loosen MP, too to support domestic economic growth. The PBoC lowered reserve requirement ratio and implemented a restructuring of interest rate policy to increase the effectiveness of MP transmission, and used refinancing tools to stimulate economic growth.

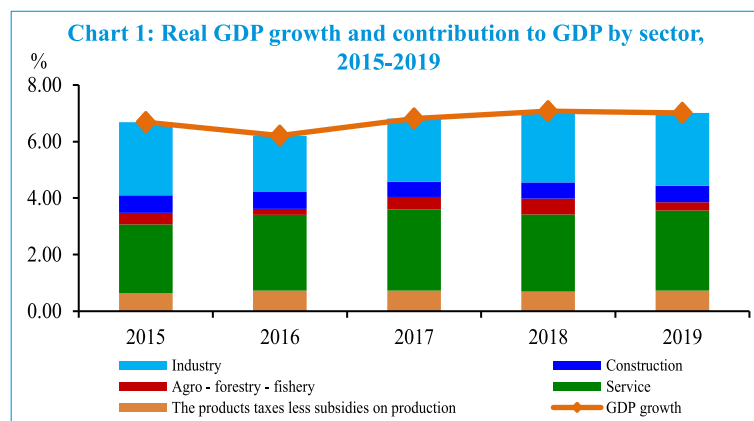
## 2. Viet Nam's economy

In 2019, there were complicated international developments with many unfavorable factors. Domestically, natural disasters, climate change and epidemics affect production and people's life. However, under the motto of *"Discipline, integrity, action, creativity, breakthrough, efficiency"*, the Government issued Resolutions No. 01/NQ-CP and 02/NQ-CP and drastically directed ministries, agencies and localities to implement the set tasks and solutions in harmonious and effective manner, among which being sticking to the goals of *"macro economy stabilization, inflation control... focus of the improvement of investment and business environment, promotion of economic growth"*; continued to cut administrative procedures, costs, create favorable conditions for people and businesses, make efforts to restructure the economy, unleash resources, promote social investment, give industries and fields with potential and advantage in generating driving force for sustainable growth strong support, etc. As a result, 2019 is the second consecutive year of achievement and overcoming of all twelve targets. Economic growth exceeded the set target, inflation was controlled, major economic balances were consolidated; trade surplus and foreign exchange reserves were at record high levels; and investors' and people's confidence in the business environment was strengthened, which laid the foundation for international credit rating agencies (Standard & Poor and Fitch Ratings) to raise Viet Nam's credit rating and

outlook. Alongside with the said achievements, however, there existed a number of shortcomings and challenges such as low disbursement of public investment capital, low productivity, quality, efficiency and competitiveness of the economy, difficulties and uncertainties facing with the agricultural sector due to natural disasters and epidemics (African pig cholera, drought and salinization), challenges in NPL resolution and the restructuring of weak commercial banks.

## 2.1. Economic growth

*By economic sector, industry, construction and service sectors had a higher growth rate than the same period. However, the agro - forestry - fishery sector had the lowest growth rate in the last 3 years due to drought, climate change and African pig cholera*



Source: General Statistical Office, the SBV's estimation

*Agro - forestry – fishery production* increased by 2.01 percent - the lowest in the last three years, mainly due to the decline of the agriculture sector (up by 0.61 percent, lower than the average level of 2.39 percent in between 2011 and 2018) amidst drought, prolonged heat and damage from African pig cholera. Meanwhile, the growth rate in the forestry and fishery sectors remained stable.

*Industry production* increased by 8.86 percent - the highest rate in the last 4 years, mainly due to the high growth of the manufacturing and processing industry and the recovery of the mining industry. The processing and manufacturing industry increased by 11.29 percent,

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*In 2019, the economy grew at the rate of 7.02 percent, lower than that in 2018, but higher than the period 2011-2017 and exceeded the set target. Industry, construction and services increased higher than the same period while the agro - forestry - fishery sector had the lowest growth rate in the last 3 years. On the demand side, domestic demand was the main factor contributing to economic growth. Import and export dropped due to the impact of global trade. Macro economy was stable, growth quality, investment*

*quality, investment efficiency were improved, and labor productivity was gradually enhanced.*

lower than the growth rate in the 2017-2018 period but higher than the average one during the 2012-2016 period (9.23 percent). The mining industry turned to grow (1.29 percent) after 3 years of decline thanks to the high increase in coal mining that offset the decline of crude oil exploitation.

*Construction* increased by 9.1 percent, equivalent to the growth rate in 2018, mainly due to the relatively good growth in investment. Total social investment increased by 10.2 percent (2018: 11.2 percent) thanks to the increase of 17.3 percent in non-state investment (2018: 18.5 percent), while investment by state and FDI sectors was lower compared to the same period last year.

*Services* increased by 7.3 percent, higher than that in 2018 (7.03 percent) mainly thanks to the increase of 8.82 percent in wholesales and retail - the highest in the past 4 years; transport and warehouse increased by 9.12 percent - the highest growth rate in the past 11 years and among other sub-sectors in the service sector; finance, banking and insurance increased by 8.62 percent; accommodation and catering service increased by 6.71 percent (the number of international visitors to Viet Nam reached about 18 million, an increase of 16.2 percent compared to 2018,) real estate continued to improve, up by 4.61 percent.

***Domestic demand (investment and consumption) was the main contributor to economic growth, net exports had a negative contribution to growth***

*Final consumption* increased at the rate of 7.23 percent, higher than that in 2018 (7.17 percent), mainly because private consumption increased by 7.36 percent - the highest in the past 4 years, public consumption increased by 5.8 percent.

*Total asset accumulation* grew by 7.91 percent, corresponding to the increase of 10.2 percent in realized social investment capital. Realized investment capital in the public sector increased at the very low rate of 2.6 percent, reflecting low disbursement of public investment capital. Meanwhile, there witnessed a good growth in realized investment capital in the non-public



and foreign investment sectors, whose growth levels were 17.3 percent and 7.9 percent, respectively. Investment efficiency was improved with many new production drivers for the economy. The efficiency coefficient of the investment capital of the economy was improved (ICOR decreased from 6.42 in 2016 to 6.11 in 2017; 5.97 in 2018; and estimated to be 6.07 in 2019.) On average, during 2016-2019, ICOR was 6.14, lower than the 2011-2015 period (6.25 percent).

*Net export* made negative contribution to economic growth (minus 2.65 percentage points). Export of goods and services increased by 6.71 percent (2018: 14.27 percent); while import of goods and services increased by 8.35 percent (2018: 12.81 percent). Import and export activities in 2019 slowed down due to difficulties concerning market and selling price, and some industries that were the driving force of exports could not maintain the growth pace and faced difficulties in the context that some countries had raised trade restriction and consolidated protection measures to protect domestic production.

## 2.2. Labor, income and productivity

According to the General Statistics Office, in 2019, the labor force aged 15 and over was estimated to be 55.8 million people, an increase of 417,1 thousand people compared to 2018; in which, the number of male employees was 29.1 million people, accounting for 52.2 percent; and that of female workers was 26.7 million people, accounting for 47.8 percent. The unemployment rate of working-age labor is 2.16 percent, of which the unemployment rate in urban area was 3.10 percent; and rural area was 1.65 percent (2018: 2.19 percent, 3.10 percent and 1.73 percent, respectively). Youth unemployment rate (aged 15-24 years) in 2019 was estimated to be 6.39 percent, of which, that in urban area was 10.24 percent and in rural area was 4.83 percent.

Labor productivity of the whole economy at current prices in 2019 was estimated at VND 110.4 million/employee (equivalent to USD 4,791/employee, an increase of USD 272 compared to 2018;) at constant

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*Unemployment rate decreased, average income per capita in 2019 was USD 2,715.*

prices, labor productivity increased by 6.2 percent due to the labor force being supplemented and the number of employed workers in 2019 increased. An improvement in growth quality took place along with labor productivity enhancement: in 2019, the contribution of total factor productivity (TFP) to GDP growth reached 46.11 percent; and the average TFP contribution during 2016-2019 period reached 44.46 percent/year, higher than the average level of 33.58 percent/year in the 2011-2015 period.

In 2019, the size of the economy reached USD 267 billion; GDP per capita was USD 2,715. For cadres, civil servants, public employees and armed forces, the base salary was raised from VND 1.39 million/month to 1.49 million/month from July 1, 2019 according to Decree No. 38/2019/ND-CP dated May 9, 2019; regional minimum wage for employees with labor contracts under Decree No. 157/2018/ND-CP dated November 16, 2018 was raised, from January 1, 2019. Accordingly, the salary of employees is divided into 04 regions, equivalent to VND 4.18 million/month; VND 3.71 million/month; VND 3.25 million/month and VND 2.92 million/month.

### 2.3. Inflation



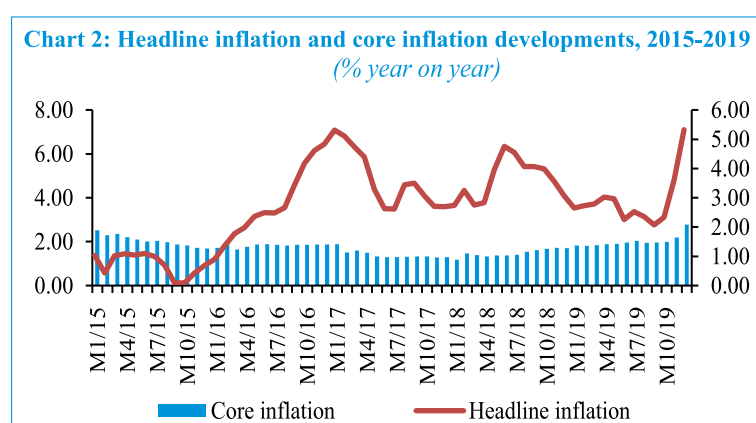
*In 2019, average consumer price index (CPI) increased by 2.79 percent, the lowest level in the last 3 years and the 4<sup>th</sup> consecutive year at a lower level than the target set by the National Assembly. Core inflation was stable, averaging at 2.01 percent.*

Although domestic inflation in the last months of the year was put under pressure from high food prices (pork) amidst the outbreak of African pig cholera,<sup>2</sup> average CPI for the whole year 2019 increased by 2.79 percent only compared to 2018, the lowest level in the last 3 years and consistent with the target of about 4 percent set by the National Assembly. The main reasons included: (i) Prices of some State-managed goods and services continued to be raised according to the roadmap, but the level of adjustment was lower than that in the previous years. Accordingly, the health service group price index increased by 4.65 percent (in 2016-2018, the price index increased by 38.15 percent, 57.91 percent and 13.86 percent respectively); price indexes of education service group increased by 6.11 percent (in 2016 - 2018, the corresponding increase was 7.11 percent,

<sup>2</sup> In 2019, on average, pork price increased by 11.79 percent, causing food price to increase by 5.08 percent.



10.42 percent and 7.12 percent); **(ii)** Domestic fuel price (oil and petrol, gas, ...) plummeted in line with world price. In which, the yearly average oil and petrol price in 2019 decreased by 3.14 percent, causing transport price index to decrease by 1.04 percent; gas price decreased by 5.97 percent, although the average electricity price increased by 8.38 percent, the price index of Housing, fuel and construction materials increased by 3.03 percent only (in 2018, it increased by 3.32 percent); **(iii)** With the determination and close direction from the Government and close coordination between ministries, agencies and localities in market management, price and inflation control, supply - demand balance on the commodity market was guaranteed, and there was no big change in the price of goods; **(iv)** The SBV's consistent and appropriate management of MP helped anchor inflation expectation. Accordingly, the average core inflation in 2019 increased by 2.01 percent, following the trend of stability of core inflation over the past years (below 2 percent), creating room for the Government to continue the adjustment of State-managed goods and services.



Source: General Statistical Office

## 2.4. State budget revenues and expenditures

*Total State budget revenue* in 2019 as estimated by the National Assembly exceeded the estimate by 3.3 percent, reaching about 24.1 percent of GDP (2018: exceeded the estimate by 8 percent, equivalent to 25.72 percent of GDP). Central budget revenue exceeded the estimate thanks to the increase in revenue from import

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*In 2019, State budget revenues and expenditures*

*increased slightly compared to the estimate, contributing to the completion of expenditures for socio-economic development, ensuring security, national defense and social security. Revenue pace was higher than the expenditure one, and State budget deficit was lower than the estimate.*

and export activities, the revenue of local budget exceeded the estimate mainly thanks to the excess collection of land use fees. Domestic revenue continued to account for the highest proportion of total budget revenue (82 percent), exceeding the estimate by 1.9 percent (2018: 4.5 percent). Crude oil revenue exceeded estimate by 4.9 percent (2018: exceeded 84 percent). Revenue from import-export activities exceeded the estimate by 11.5 percent (2018: exceeded by 13.2 percent).

*Total State budget expenditure* exceeded estimate by 2.1 percent (2018: exceeded by 6.1 percent). Accordingly, capital expenditure exceeded the estimate by 3 percent (2018: exceeded by 2.9 percent); current expenditure exceeded the estimate by 0.7 percent (2018: exceeded by 1.4 percent).

*State budget deficit* was lower than the estimate in both absolute and relative values, reaching VND 209,500 billion, equivalent to 3.4 percent of GDP (2018: 3.46 percent GDP).

## 2.5. Balance of payments

*Overall balance of payment* in 2019 reached a record high level of surplus, USD 23.25 billion. This was the 4<sup>th</sup> consecutive year that the overall balance of payments was in surplus. In the context of guaranteed VND liquidity, the abundant supply of foreign currencies in the market, the State Bank was able to purchase foreign currencies from CIs to accumulate state foreign exchange reserves.

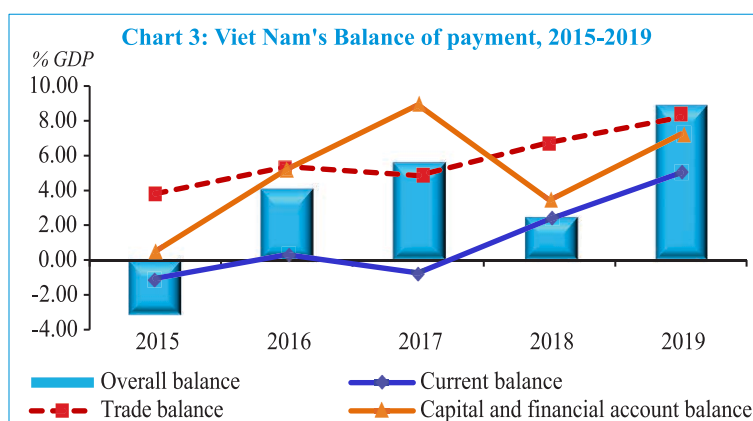
*Current account balance* reached a record surplus of USD 13.14 billion (equivalent to 5.02 percent of GDP), a sharp increase compared to 2018 (USD 5.77 billion) because of positive developments in most of the items, particularly higher than expected trade surplus, the recovery in remittances and good growth in tourism service revenues. Balance of goods<sup>3</sup> reached a surplus of USD 21.5 billion (2018: USD 16.54 billion). Trade

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*Overall balance of payment continued to be in surplus and was the 4<sup>th</sup> consecutive year of surplus thanks to good domestic economic growth, high trade surplus, and increasing foreign investment inflows, thus facilitating the accumulation of state foreign exchange reserves.*

<sup>3</sup> Goods balance is the difference between exports of goods at FOB price and imports of goods at FOB price.

balance<sup>4</sup> was in surplus of USD 11.1 billion thanks to higher growth of exports than that of imports. Balance of services was in deficit of USD 2.48 billion USD, a sharp decrease of 34.9 percent compared to the deficit of 2018. This was the lowest deficit since 2013 thanks to high increase in service export (up by 12.6 percent) but service imports just rose slightly (up by 2.9 percent). Income balance reached the deficit of USD 15.12 billion, a decrease of 4.4 percent compared to the deficit of USD 15.82 billion in 2018. Current transfer was in surplus of USD 9.24 billion, an increase of 4.3 percent compared to the surplus of USD 8.86 billion in 2018.



Source: The SBV

*Capital and financial account balance* was in surplus of USD 18.96 billion, rocketing from the surplus of 8.46 billion USD in 2018, mainly because FDI and FII maintained a stable surplus, while net foreign debt surplus increased sharply. Net FDI reached a surplus of USD 15.67 billion, up by 5.2 percent compared to 2018. Amidst difficulties facing with the world economy, complicated trade tensions between major countries and geopolitical risks, Viet Nam's stock market remained in the spot light in terms of foreign capital inflow attraction in 2019, net FII in Viet Nam was still in a surplus of USD 3 billion, a slight decrease compared to the surplus of USD 3.02 billion in 2018. Net foreign borrowing reached a surplus of USD 5.22 billion, a jump from the surplus of USD 1.88 billion in 2018, the increase in net foreign borrowing occurred in all terms. Money and deposit was

<sup>4</sup> Trade balance is the difference between exports of goods at FOB price and imports of goods CIF price.

in deficit of USD 5.22 billion, an improvement compared to the deficit of USD 11 billion in 2018.

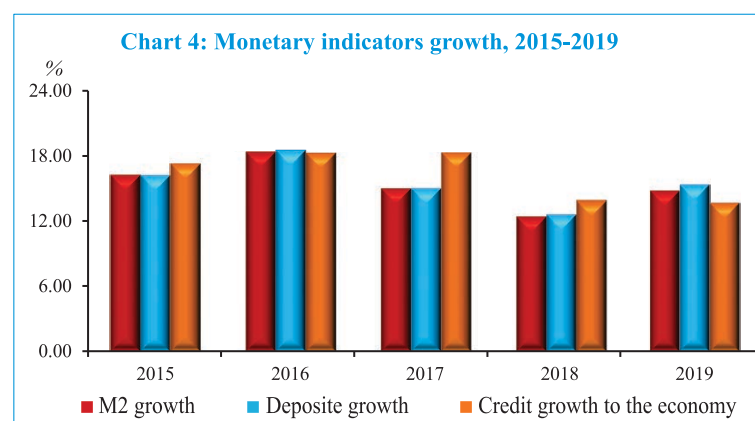
## 2.6. Monetary and financial developments

### Monetary developments

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*Total liquidity was reasonably regulated, contributing to inflation control. Capital mobilization increased significantly; while credit growth was associated with credit quality improvement and in accordance with the economy's ability to absorb capital and the guideline and direction of MP management, thereby giving support to economic growth.*

As of end-2019, M2 was up by 14.78 percent y-o-y, higher than the increase of 12.41 percent y-o-y in 2018 thanks to the growth in NFA while NDA increase was close to that in 2018. In particular, NFA increased by 38.38 percent (2018: 21.8 percent) because Foreign Assets grew by 35.43 percent (2018: 17.36 percent). Meanwhile, the growth in NDA was lowered to 10.05 percent (2018: 10.7 percent) as NCG plummeted at the rate of 45.7 percent (2018: down by 14.95 percent), which was attributed to the jump of Treasury's VND deposits in the banking system and the increase of 21.99 percent in other net items (2018: 4.71 percent), although Claims to the economy increased by 12.84 percent (2018: 12.72 percent).



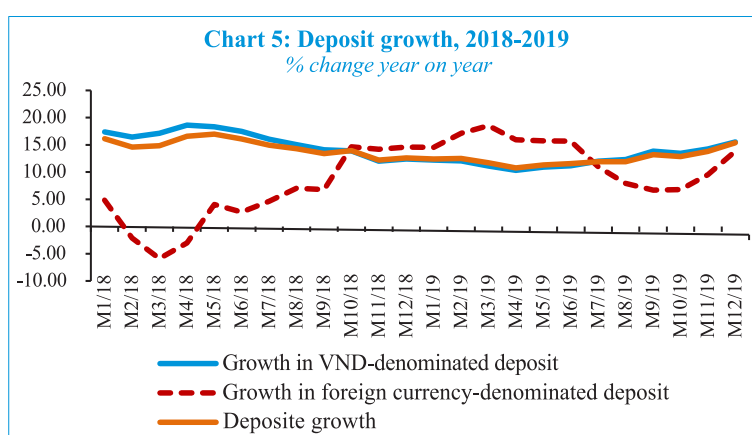
Source: The SBV

***Capital mobilization by the banking system increased at the highest rate in the last 3 years, mainly thanks to the relatively good growth in VND deposit***

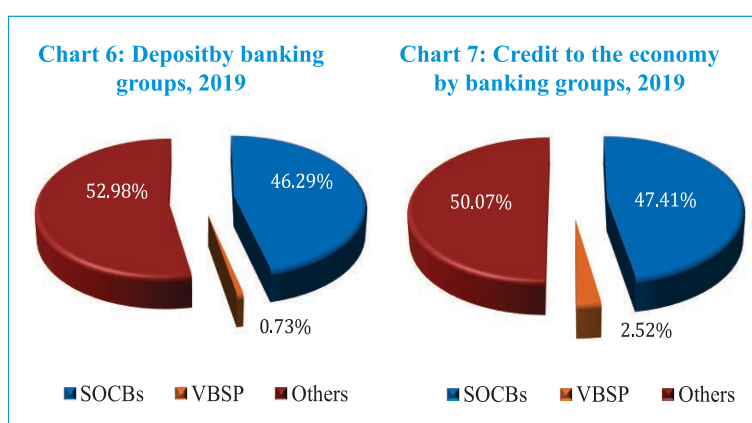
In 2019, deposit growth of the whole system reached 15.37 percent (2018: 12.61 percent; 2017: 15.02 percent); of which, VND deposit increased by 15.52 percent (2018: 12.41 percent), foreign currency deposit growth was lowered to 13.85 percent (2018: 14.57 percent). FCD/M2 ratio reached 8.09 percent, down from 8.16 percent in

2018; and the average ratios of 11.75 percent per year and 19.14 percent per year during 2012-2015 and 2007-2011 periods, respectively.

*Capital mobilization by the State Commercial Bank group and the Social Policy Bank continued to decrease slightly while that by other CIs increased, specifically:* In the whole system, capital mobilization by State-owned commercial bank accounted for 46.29 percent (2018: 47.23 percent) and by The Social Policy Bank accounted for 0.73 percent (2018: 0.79 percent). Capital mobilization by other CIs<sup>5</sup> accounted for 52.98 percent (2018: 51.98 percent).



Source: The SBV



Source: The SBV

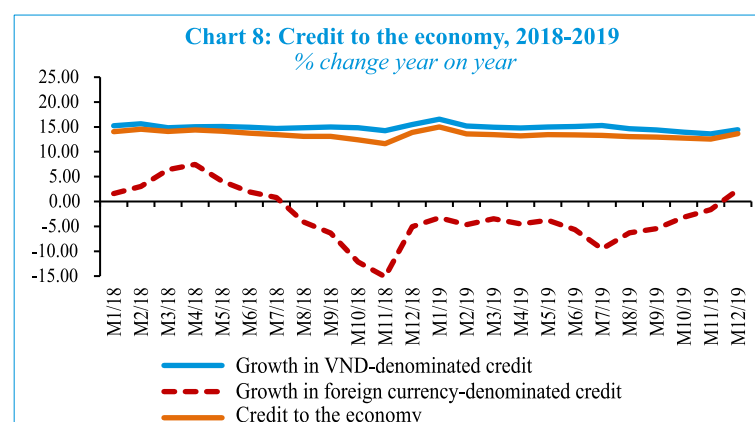
***Credit growth was associated with credit quality improvement, in line with the policy of credit control***

<sup>5</sup> Including one-member limited liability commercial banks owned by the State, JCBs, 100 percent foreign owned banks, joint-ventured banks, foreign bank branches, non-bank CIs (finance companies, leasing companies), PCFs, Cooperative Bank.

*at the beginning of the year, contributing to inflation control and economic growth support*

Credit to economy<sup>6</sup> increased by 13.65 percent y-o-y (2018: 13.89 percent); of which, VND credit increased by 14.44 percent and foreign currency credit grew slightly by 2.33 percent. Foreign currency credit was put under control in accordance with the Government's policy of restricting dollarization. Foreign currency credit/M2 ratio decreased sharply from 18.09 percent in 2011 to 6.74 percent in 2016 and 4.55 percent in 2019. Credit was mainly distributed by CIs to production and business sector, contributing to supporting inflation control and promoting sustainable economic growth.

*Credit provided by other CIs tended to slightly increased while that provided by State-owned commercial banks and Social Policy Bank went down:* State-owned commercial banks' credit outstandings accounted for 47.4 percent of total credit outstandings (2018: 48.3 percent); The Bank for Social Policy accounts for 2.52 percent (2018: 2.6 percent); credit provide by other CIs accounted for 50.07 percent of total credit outstandings (2018: 49.09 percent).



Source: The SBV

## Interest rate

### VND interest rate

In 2019, market interest rate was basically kept stable and witnessed the decreasing trend in in some terms, in line the SBV's operating actions. As of end-2019, deposit

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*Market interest rate was stable, on basic.*

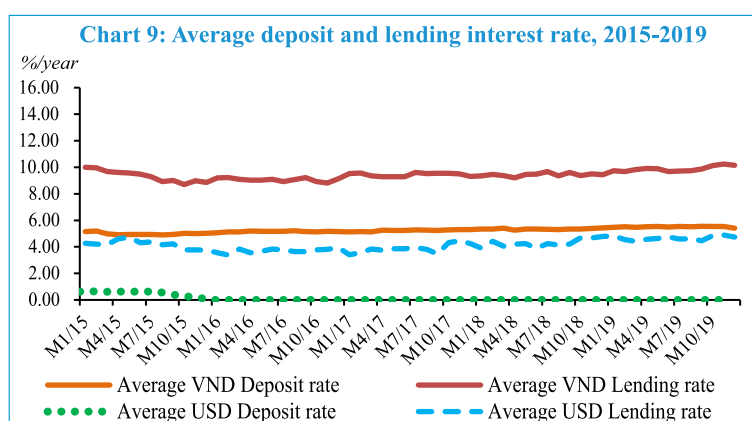
<sup>6</sup> Credit outstandings did not include credit outstandings in accordance with trust agreements and VAMC special bond balance.



interest rate ranged between 0.2 and 0.8 percent per year for demand and term deposit of less than 1 month; between 4.3 and 5 percent per year for deposit of 1 to less than 6 month term; from 5.5 to 7 percent per year for deposit of 6 to less than 12 months term; and from 6.6 to 7.5 percent per year for deposit of over 12 months term. CIs' lending interest rates ranged between 6 and 9 percent per year for short-term, from 9 to 11 percent per year for medium and long term.

### USD interest rate

The USD interest rate moved in line with the Government's policy and the SBV's direction to limit dollarization. As of end-2019, USD deposit interest rate at CIs was 0 percent per year according to the SBV's regulations. Short-term lending rate ranged between 3.0 and 4.7 percent per year and medium and long term interest rate ranged between 4.5 and 6.0 percent per year.



Source: The SBV

## Interbank money market

*The size of the interbank market continued to expand, particularly in terms of lending and deposit*

Total turnover of VND lending and deposits in the interbank market reached VND 14,517 trillion, and that in USD was equivalent to VND 6,728 trillion, increased 65.6 percent and 40.4 percent, respectively compared to total turnover in 2018. Compared with lending and deposit, turnover of term valuable papers purchase and selling between CIs and foreign bank branches was at smaller amount, VND 724 trillion in year 2019.

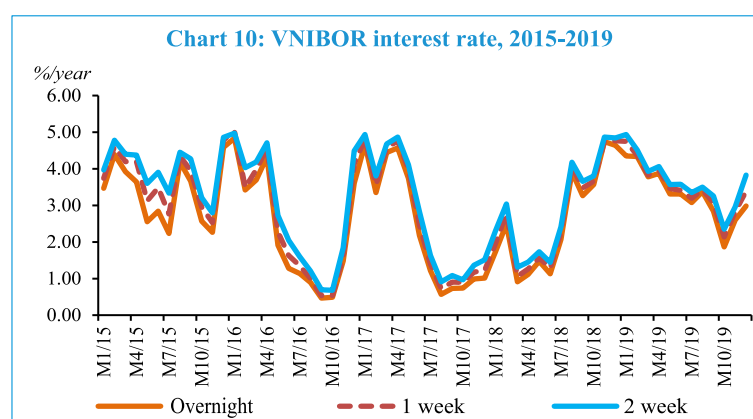
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*The interbank interest rate decreased and the size of the interbank market continued to expand.*

As for term structure, in 2019, transactions on the interbank market continued mainly at less than 1 month the term with greater focus overnight and 1 week tenors. Overnight transactions in VND for the whole year reached VND 9,189 trillion, in USD converted to VND reached VND 4,477 trillion, accounting for 63.3 percent and 66.6 percent respectively of the total transaction turnover of the year.

### ***Decreasing interbank interest rate***

In 2019, the interbank interest rates tended to decrease due to the abundant liquidity of the system thanks to the addition of VND sources coming from CIs's selling of currency to the SBV. On yearly average, the overnight, 1 week and 2 week VND interest rate were at 3.30 percent per year, 3.49 percent per year and 3.65 percent per year, respectively.



Source: The SBV

### **Foreign exchange market development**

In 2019, foreign currency market was relatively stable, market liquidity was smooth, the economy's legal needs of purchase and selling of foreign currency were fully and promptly met, the SBV purchased a large amount of foreign currency to accumulate to the State foreign exchange reserves. In some points of time between May and August, 2019, exchange rate tended to increase amidst market's response to some international developments; the highest increase in market exchange rate, however, was 1.2 percent y-t-d only, much less

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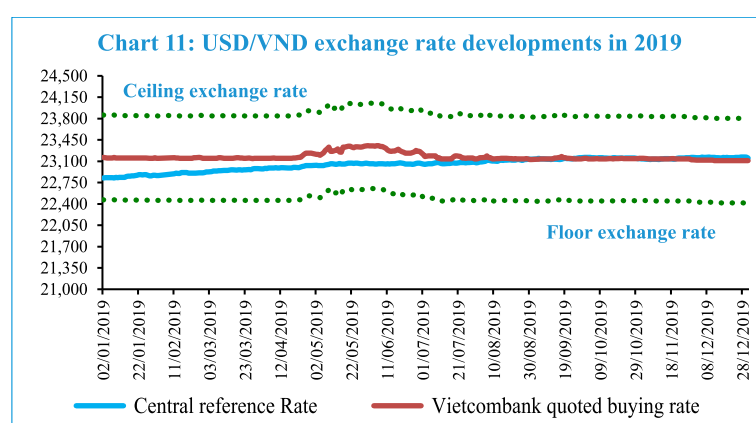
*Despite pressures from great uncertainty on international market in some periods, domestic foreign currency market in 2019 was*



volatile than other currencies in the region. As of end-2019, the central exchange rate increased by 1.45 percent y-o-y, USD/VND transaction exchange rate on interbank market decreased by 0.14 percent.

The stable market was attributed to the solid domestic macroeconomic fundamentals, the plentiful supply of foreign currency and the synchronous and flexible management of MP instruments by the State Bank; the central exchange rate mechanism continued to prove efficiency in absorbing external shocks and reducing speculation and hoarding of foreign currency.

*relatively stable thanks to the solid macroeconomic fundamentals and proactive and flexible MP management by the SBV.*



Source: The SBV

## Gold price development

In 2019, complicated developments in the world economy caused a sharp increase in international gold price, particularly in the last 6 months of the year (at 1,524 USD/oz as of end-2019, an increase of about 19 percent compared to 2018.) Domestically, gold price fluctuated in the same direction as the international gold price but at a slower pace. International and domestic gold price spread was narrowed, and some times domestic gold price was lower than the international one. As of end-2019, domestic gold price was at VND 42.36 million/42.79 million per tael, an increase of about 16.7 percent y-t-d.

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*Domestic gold price increased in line with international gold prices but with narrower spread.*

## Securities market

In the first quarter of 2019, securities market recovered thanks to the growth in global securities market. Subsequently, however, there was a fluctuation



*Securities market recovered in the first quarter, then followed by a small fluctuation for the rest of the year.*

in indexes due to the shortage of breakout motivation in domestic market. Compared to end-2018, VN-Index reached 960.99 points, up by 7.67 percent, HNX-Index reached 102.51 points, a decrease of 1.65 percent, and the UPCoM-Index stood at 56.56 points, an increase of 7.06 percent. Market capitalization was VND 4,383,580 trillion, equivalent to 72.61 percent of GDP (2018: 71.49 percent GDP), an increase of 10.66 percent compared to end-2018. In terms of market liquidity, in 2019, transaction values on both the HOSE and HNX decreased due to the lack of surge factors. The average daily transaction value on HOSE and HNX reached VND 4,438 billion and VND 410 billion, respectively, down by 19.4 and 48.43 percent respectively compared to that in 2018. In 2019, foreign investors maintained stock position of net purchase with the amount of about VND 7,400 billion, down from almost VND 44,000 billion in 2018.

## 2.7. Credit institutions' activities

As of end-2019, the CIs system in Viet Nam included 04 commercial banks with State ownership of over 50 percent; 03 compulsory acquired banks; 01 Social Policy Bank; 01 Development Bank; 28 commercial banks; 02 joint-ventured banks; 09 100 percent foreign-owned banks; 49 foreign bank branches; 26 finance and leasing companies; 01 Cooperative Bank; 1,182 PCFs and 04 microfinance institutions.

**Table 1: CI system in Viet Nam as of December 31, 2019**

No	Type	2018	2019
1	SOCBs	4	4
2	Compulsory acquired banks	3	3
3	Social Policy Bank	1	1
4	Development Bank	1	1
5	JCBs	28	28
6	Joint-ventured bank	2	2
7	100 percent foreign-owned bank	9	9
8	Foreign bank branch	49	49
9	Non-bank CIs	26	26
10	Cooperative Bank	1	1
11	PCFs	1,183	1,182
12	Microfinance Institutions	4	4

Source: The SBV



*CIs continued to endeavor to improve their financial capacity, prudential ratios, and enhance risk management in accordance with law and international practice. Profitability ratio increased compared to 2018, liquidity continued to be guaranteed, and credit quality was improved.*

## CI's financial capacity continued to be improved, and their size continued to be expanded

In 2019, positive results continued to be achieved by the CI system: improvement was made in all financial capacity, asset quality and non-performing loan resolution; system liquidity was maintained stably; the sense of law compliance and the quality of governance and administration were enhanced; cross-ownership and violation of credit extension limit were basically handled, thus improving business performance of CIs. As of end-2019, from the perspective of the whole system, total assets reached VND 12.58 quadrillion, an increase of 13.69 percent y-o-y; total charter capital reached VND 612.3 trillion, up by 6.24 percent y-o-y; and equity capital stood at VND 911.7 trillion, up by 13.1 percent y-o-y.

**Table 2: Several basic indicators**

Types of CIs	Total assets		Total equity		Chartered capital		Minimum capital adequacy ratio	Short-term deposit to medium- and long-term lending
	VND billion	± percent	VND billion	± percent	VND billion	± percent		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SOCBs	5,439,691	11.85	320,024	19.15	155,153	4.91	10.19	29.59
Social Policy Bank	213,260	8.88			17,288	24.44		
JCBs	5,212,516	14.44	368,579	8.99	284,698	6.54	10.52	31.01
Joint-ventured foreign banks	1,345,869	18.41	182,664	12.16	120,769	6.42	24.07	
Finance, leasing companies	205,260	22.31	36,373	11.69	26,639	0.82	17.80	34.71
Cooperative Bank	35,719	10.15	4,091	3.68	3,028	0.04	19.46	30.38
PCFs	126,498	11.78			4,713	7.49		
<b>Total</b>	<b>12,578,812</b>	<b>13.69</b>	<b>911,731</b>	<b>13.10</b>	<b>612,288</b>	<b>6.24</b>	<b>11.95</b>	<b>27.02</b>

Source: The SBV

Note:

- Data was made based on December 2019 accounting reports and statistical reports;

- State-owned commercial banks include: Viet Nam Bank for Agriculture and Rural Development, Viet Nam JCB for Industry and Trade, JCB for Foreign Trade of Viet Nam, JCB for Investment and Development of Viet Nam, Viet Nam Construction Bank, Global Petroleum One-Member Commercial Bank Limited, Ocean One-Member Commercial Bank Limited;
- Did not include microfinance institutions;
- Data in columns (4), (5), (8), (9) did not include Social Policy Bank (not subject to report) and PCFs;
- CIs with negative equity did not included in equity, CAR ratio calculation;
- Total assets indicator was calculated according to Circular No. 49/2014/TT-NHNN;
- The ratio of short-term deposit to medium-and long-term lending of joint-venture and foreign banks had no value because they did not use short-term capital for medium and long-term lending.

Business performance of CIs continued to be improved. As of end-2019, ROA and ROE of the whole system were 1.01 percent and 12.95 percent, respectively, up from 0.9 percent and 11.8 percent in 2018, respectively in 2018. CAR ratio of the system at end-2019 was 11.95.

**Table 3: CIs' ratios**

Unit: percent

	ROA	ROE
SOCBs	0.88	15.94
Social Policy Bank	0.15	0.79
JCBs	1.07	14.00
Joint-ventured foreign banks	1.13	8.02
Finance, leasing companies	3.32	17.51
Cooperative Bank	0.56	5.10
PCF	0.79	11.90
<b>Total</b>	<b>1.01</b>	<b>12.95</b>

Source: The SBV

Note:

- Data was made based on 2019 financial statements;
- Did not include microfinance institutions;
- State-owned commercial banks include: Viet Nam Bank for Agriculture and Rural Development, Viet Nam JCB for Industry and Trade, JCB for Foreign Trade of Viet Nam, JCB for Investment and Development of Viet Nam, Viet Nam Construction Bank, Global Petroleum One-Member Commercial Bank Limited, Ocean One-Member Commercial Bank Limited;
- CIs with negative equity did not included in ROA and ROE calculation.

***The system liquidity continued to be guaranteed, and credit quality was improved***

**Liquidity risk:** System liquidity was guaranteed, foreign currency transactions were conducted smoothly, and legal foreign currency needs were fully and promptly met.



*Credit risk:* Solutions to NPL resolution were implemented synchronously with measures to control and prevent new NPLs from arising, thereby improving credit quality and reducing the system's NPL ratio. As of end-December, 2019, on-balance NPL of the CI system continued to be controlled and maintained at 3 percent (on-balance NPL ratio as of December 31, 2019 was 1.63 percent). The ratio of on-balance NPL sold to the VAMC and potential NPL of the CI system as of December, 2019, was 4.43 percent, down sharply from 10.08 percent at end-2016, 7.36 percent at end-2017 and 5.85 percent at end-2018.

## Part II - State Bank of Viet Nam's management

In implementing the Government's guidance at Resolution No. 01/NQ-CP dated January 01, 2019, the SBV has issued Directive No. 01/CT-NHNN dated January 08, 2019 that set the roles and objectives of the whole banking sector in 2019: *"Managing MP in proactive, prudent and flexible manner and in close coordination with fiscal and other macroeconomic policies to control inflation rate in line with the 2019 target of below 4 percent on average; maintaining macroeconomic stability, supporting economic growth, and stabilizing money and foreign exchange markets. In 2019, total liquidity was set to increase by about 13 percent; credit growth by about 14 percent, with adjustment in accordance with the actual developments and situation"*.

### 1. Monetary policy management

**Conducting open market operations in proactive, flexible and prudently manner for proper monetary regulation, ensuring adequate liquidity in the system and stablization of monetary market, supporting exchange rate stability and accumulating FX reserves**

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*MP was managed in proactively, flexible and prudent manner to control inflation, stabilize the macro economy and give appropriate support to economic growth; while ensuring adequate system liquidity and stable monetary market.*

Based on the actual developments of the monetary market and the liquidity of CIs, the SBV continued to conduct OMOs in proactive, flexible and prudent manner for proper monetary regulation, ensuring adequate system liquidity and stable monetary market, increasing FX reserves. Accordingly, amidst excess liquidity in the system and the SBV's purchase of foreign currency from CIs to accumulate FX reserves, the SBV regulated liquidity via bid offers of the SBV bills with appropriate volume and short maturities of 7 days, the bidding rate was reduced gradually from 3.0 percent per annum - 2.75 percent per annum - 2.5 percent per annum - 2.25 percent per annum; bidding method is volume-based with a reasonable level of volume to regulate excess liquidity, contributing to inflation control. At the same time, the SBV offers to buy the valuable papers with the volume of around VND 1,000 billion per day, increasing the volume of bidding when necessary or when the



interbank interest rate increases with the purpose of ensuring the system liquidity and the market stability; bidding maturity was mainly 7 days and was flexibly adjusted from 7 to 28 days when necessary, with interest rate gradually decreasing from 4.75 percent per annum to 4.5 percent per annum and 4 percent per annum; bidding method was volume-based with a reasonable level of volume and interest rate. The synchronous regulation of MP instruments in combination with OMOs, resulted in appropriate monetary regulation, preservation of liquidity in the system and monetary market stability; low levels of interbank interest rates, thus contributing to reducing the lending interest rate level for the economy.

### **Cutting policy interest rates**

In 2019, the SBV continued to manage interest rate in consistent with macroeconomic, inflation and money market developments. Based on the assessment of domestic and international macroeconomic and monetary market, many CBs tended to cut policy rates in order to stabilize domestic macro economy, money and foreign exchange markets were stable, and inflation was controlled. On September 16, 2019, the SBV reduced policy interest rates by 0.25 percent per annum.

### **Keeping VND and foreign currency reserve requirement ratios stable**

Reserve requirement ratio for VND deposit was maintained at 3 percent for demand deposits and term deposits due within 12 month, 1.0 percent for term deposits with maturities of more than 12 months. For foreign currency deposit, reserve requirement ratio was 8.0 percent for demand deposit and deposit with maturity of less than 12 months, 6.0 percent for term deposits with a maturity of more than 12 months and 1.0 percent for deposits of CIs located abroad.

### **Maintaining refinancing window to give funding support to the objectives of MP management and the realization of other objectives as guided by the Government**

Refinancing instruments were operated proactively in alignment with MP management objectives and the



Government's policies. The SBV continued to disburse refinancing fund to programs which got approval from the Government.

### **Managing daily central exchange rate in combination to synchronous and flexible operation of MP instruments**

In 2019, the SBV flexibly and synchronously managed the operation of MP instruments in order to stabilize exchange rate and foreign currency market. The daily central exchange rate change moved flexibly in two-way directions in referring to domestic and international markets, macroeconomic balances, MP targets, thereby limiting speculation and hoarding of foreign currency; and at the same time minimizing adverse impacts from external fluctuations on the domestic economy. At the same time, the SBV actively and flexibly adjusted the buying/selling rates of foreign currency with CIs to stabilize the foreign currency market. The SBV managed daily central exchange rate in combination with synchronous and flexible operation of MP instruments, regulation of liquidity, VND interest rate, active policy communication for market orientation, thereby creating the consensus among market participants and improving the transparency and the efficiency of MP and exchange rate transmission.

### **Managing credit growth in prudent manner, improving credit efficiency and quality, and facilitating access to credit**

Given economic growth target in 2019 of about 6.8 percent and average inflation of about 4 percent set by the National Assembly and the Government, the SBV set the indicative credit growth target to be about 14 percent with appropriate adjustment in accordance with actual situation. Accordingly, the SBV announced credit growth targets for CIs and considered to adjust credit growth target for each CI based on their financial situation and capability to expand credit in safe and sound manner. Higher credit growth targets were allocated to CIs which have finished before the deadline all requirements on capital adequacy ratios stipulated in Circular No. 41/2016/TT-NHNN dated December 30, 2016 and





CIs participating in supporting weak PCFs. The SBV considered to adjust the credit growth targets at some CIs to ensure their expansion to be effective, contributing to promote economic growth at a reasonable level in the context of controlled inflation.

The SBV instructed CIs to continue to focus on improving credit quality; allocate capital to the fields of production and business; strictly control credit to potentially risky areas; control foreign currency lending, set appropriate roadmaps to gradually reduce foreign currency loans. At the same time, the SBV implemented administrative reforms, creating favorable conditions for businesses and people to access credit; and ran the business-banking connection program to expand credit access channels and boost the efficiency of bank loan use.

## 2. Foreign exchange management

### Strengthening legal framework for foreign exchange and gold market management

In 2019, the SBV issued 05 circulars to improve the legal framework for foreign exchange activities, simplify the administrative procedures in line with management requirements in the new period. Thereby, it created a synchronous legal basis for organizations and individuals to carry out foreign exchange activities in accordance with the law, while contributing to stabilizing foreign exchange market and enhance the efficiency of state management over foreign exchange operations.

In 2019, domestic gold market continued to be stabilized and self-regulated. There was no “gold fever” on the market; the gold bar selling and purchases continued to be maintained at low levels; gold price fluctuations did not adversely affect exchange rate and foreign exchange market. The SBV continued not necessarily to use foreign currency to import gold for market intervention. Goldization continues to be limited, part of gold capital in the economy continued to be converted to money for socio-economic development.

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*Improved legal framework for foreign exchange and gold market management along with strengthened current transactions, capital transactions and FX reserves management, thus either ensuring the efficiency of management of gold market.*

## Current transaction management

Current transactions continued to be liberalized in line with international commitments, and at the same time, the SBV actively implemented solutions and policies to limit domestic spending in foreign currency and to eliminate dollarization within Viet Nam's territory, increasing people's confidence in VND. The policy of attracting remittances continued to be implemented in a looser manner and in line with integration trend, aiming at encouraging and facilitating remittance inflows, contributing to the improvement of Viet Nam's balance of payments and accumulation of FX reserves. At the same time, the SBV continued to implement policies to attract foreign currency to the CI system via policies on foreign currency exchange, remittances, foreign currency cash purchase and selling between authorized CIs and individuals, cross-border payments, etc.

## Capital transactions management

The SBV continued to strengthen the foreign exchange management vis-a-vis foreign investment in order to facilitate foreign direct investment inflows, promoting economic growth and improving balance of payments; contributing to the development of securities market, hence developing a fund mobilization channel for domestic investment and economic development. At the same time, overseas direct/portfolio investment was managed in prudent manner in order to either support domestic investors to seize opportunities or ensure close supervision of capital outflows, and channel resources to domestic economic development. In addition, the SBV continued to coordinate with other ministries to review provisions and regulations on strict monitoring over non-government guaranteed enterprises' external borrowing and repayment under the direction of Prime Minister.

## FX reserves management

In parallel with the synchronous and flexible implementation of solutions and tools to stabilize the exchange rate and foreign currency market, the SBV



continued to deploy solutions to effectively manage the foreign exchange market. As the result, the SBV was able to purchase foreign currency to accumulate FX reserves, scaling up it to a record level.

### 3. Banking inspection and supervision

#### Inspection and supervision

In order to enhance effectiveness and efficiency of banking inspection and supervision, with the approval of the Prime Minister, the SBV strengthened the organizational structure of the Banking Supervisory Agency toward being lean and efficient, ensuring good implementation of supervisory functions, mandates and roles over banking operations<sup>7</sup>. Thereby, an important premise was created for continuously innovating inspection and supervision in approaching international practices and standards and in line with development practice of the banking industry in the new period.

In 2019, inspection tasks were renovated and closely associated with supervision, with step-by-step incorporation and application of risk-based approach with a view to prevention and early warning of potential risks. The SBV, in 2019, carried out 1,420 inspection missions with inspection conclusions and records were issued for 1,379 of which; 10,170 recommendations and requests were made for correction of shortcomings and violations by CIs; 216 decisions on administrative penalty imposed on CIs, businesses and individuals with the total fine of about VND 19.65 billion. In addition, the SBV applied measures to handle certain organizations and individuals, too in order to consolidate the organization and stabilize the operating apparatus of a number of CIs.

Supervision was strengthened with the focus on implementation of the plan on restructuring and NPL

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*The SBV continues to drastically and synchronously implement solutions on banking inspection and supervision; restructuring the CI system in association with NPL resolution; improving legal framework for prudential banking operations, risk management, supporting for NPL resolution and bank restructuring; promoting the application of prudential regulations in accordance with Basel II international standards.*

<sup>7</sup> Submit to the Government/Prime Minister for promulgation of Decree No. 43/2019/ND-CP dated May 17, 2019 amending and supplementing Decree No. 26/2014/ND-CP dated April 07, 2014 of the Government on the organization and operation of the Banking Supervision Agency and Decision No. 20/2019/QĐ-TTg dated June 12, 2019 defining the functions, tasks, powers and organizational structure of the Bank Supervision Agency under the SBV (replacing Decision No. 35/2014/QĐ-TTg dated June 12, 2014).

resolution, credit extension, bond investment in areas of potential risks, etc.; at the same time, focus was given to promoting the application of information technology to improve capacity of potential systematic risks early warning and to prevent the risk of law violation by CIs. Based on violations and risks discovered through supervision, about 250 guideline documents were issued by the SBV to warn on related risks, including cross-ownership between CIs and shareholders at CIs; augmentation of real estate exposures, high NPL at certain CIs; credit granting to major clients (total credit granting for a single client exceeding VND 500 billion); corporate bonds investment, etc. In chorus, it was required that managers and operators of the CIs must promptly take measures to rectify and handle existing problems and risks warned on by the State Bank of Viet Nam; to strictly comply with relevant regulations, strengthen monitoring to ensure safety and robustness in operations.

### **Licensing management**

In 2019, the SBV licensed the establishment and operation of two representative offices of foreign banks in Ha Noi and Ho Chi Minh City. In addition, CIs<sup>8</sup> were allowed to open 50 branches<sup>9</sup> and 98 transaction offices.

### **The implementation of the 2016-2020 Masterplan on Restructuring of the CI System associated with NPL Resolution (Master plan 1058) and application of prudential regulations in line with Basel II standards**

#### ***Continuing to enhance the implementation of the restructuring of the CIs and NPL resolution***

In implementation of the assigned tasks under Master plan 1058, in 2019, the SBV advised and submitted to the Prime Minister for issuance of the Decision to consolidate the Steering Committee for Restructuring CIs System and the Organizational and Operational Regulation of the Steering Committee. Besides, the SBV issued relevant documents guiding CIs to implement

<sup>8</sup> Not including PCFs.

<sup>9</sup> Vietcombank was approved to establish 1 branch in Australia, but the branch has not completed the procedures to go into operation.

Master plan 1058 as well as issued ones directing CIs, SBV provincial branches to accelerate the restructuring of the CI system in association with NPL resolution for the period 2016-2020. In addition, the SBV provincial branches advised local People's Committees in general implementation of Master plan 1058; particularly the provinces/cities' action plans and programs to realize the accomplishment of tasks and solutions set out in the Project; at the same time directing and monitoring local PCFs to develop and implement the plans on restructuring in association with NPL resolution for the period 2016-2020 once approved. To-date, the SBV had basically completed the approval or authorized the Board of Directors/Board of Members in written document to review, improve and be responsible for approving the restructuring plans of their CIs.

***Implementation of prudential regulations in accordance with international standards and Basel II requirements***

Aiming at the goal “By 2020, commercial banks will basically have their own capital in accordance with Basel II standards, at least 12-15 of which will have successfully applied Basel II (standardized approach or higher)” set out in Resolution No. 24/2016/QH14 dated November 08, 2016 and Resolution No. 27/NQ-CP dated February 21, 2017, over the past years, the SBV has been implementing synchronous solutions, adequately issued legal documents guiding commercial banks to employ appropriate roadmap for all three Pillars of Basel II.

By the end of 2019, 18 commercial banks were approved by the Governor of the SBV to early apply Circular No. 41/2016/TT-NHNN, including: 16 domestic commercial banks (VCB, VIB, OCB, VPBank, MBB, ACB, TPB, TCB, MSB, HDBank, Viet Capital Bank, SeaBank, VietBank, BIDV, Nam A Bank, and Lien Viet Post Bank) and 02 100 percent foreign owned-banks (Shinhanbank Viet Nam, Standard Chartered Bank Viet Nam); their CAR, according to Circular No. 41/2016/TT-NHNN, all meet the required over 8 percent.

The majority of the remaining banks and foreign bank branches planned to meet CAR as required by

Circular No. 41/2016/TT-NHNN by January 01, 2020. In addition, certain banks and foreign bank branches who have not yet been able to apply Circular No. 41/2016/TT-NHNN will reports on CAR according to provisions prescribed in Circular No. 22/2019/TT-NHNN dated November 15, 2019<sup>10</sup>, at the same time developing relevant plans to ensure compliance with Circular No. 41/2016/TT-NHNN no later than January 01, 2023.

Currently, the SBV was on progress of finalizing the draft Circular stipulating CAR for banks and foreign bank branches applying advanced approach (FIRB). It was expected that the Circular would be issued in 2020.

### Anti-money laundering (AML)

In 2019, the SBV, as the standing agency of the AML Steering Committee, actively coordinated and cooperated with relevant ministries and agencies to prepare for the Asia-Pacific Group for Anti-money laundering (APG)'s mutual evaluation for AML/CFT mechanism in Viet Nam. The SBV actively cooperated with relevant ministries and agencies to arrange actions that need to be taken according to recommendations by the APG Evaluation Team, too so that they can be promptly acknowledged in the Official Evaluation Report.

In addition, the reception and processing of suspicious transaction reports in 2019 continued to achieve important results. The SBV received about 2,000 STRs; then, based on analysis findings, transferred information related to nearly 130 cases to competent authorities for handling as prescribed by law. The SBV received and processed almost 200 requests for information from authorities and 30 from foreign financial intelligence units. The information transferred and provided by the SBV in the course of performing AML tasks effectively supported law protection agencies

<sup>10</sup> Circular No. 22/TT-NHNN dated November 15, 2019 regulating limits and prudential ratios in the operations of banks and foreign bank branches, in which some content about solvency ratio, maximum ratio of short-term funds to be used for medium and long-term loans, ratio of outstanding loan to total deposits, risk coefficient for loans to serve demand life.





in investigating and promptly adjudicating a number of major cases, contributing positively to the prevention of crimes in general and money laundering crime in particular over the years.

#### 4. Macroprudential supervision over the financial system

The SBV continued to implement the Regulation on Systemic Risk Monitoring (issued under Decision No. 2563/QD-NHNN dated December 31, 2016). In 2019, the SBV continued to update the database for financial stability analysis and assessment; upgrade the set of macro-prudential indices and the financial system risk monitoring process; to incorporate the use of the macro early warning system to identify and warn of the extent of sectorial financial vulnerability in the economy; to monitor and supervise simultaneously business and financial cycles; to assess the macro-financial linkages between sectors and the financial system; and to test the resilience of the system (*macro stress test*).

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*The SBV continued to implement the Regulation on System Risk Monitoring, gradually improved the macro prudential policy framework, serving as legal basis for systemic risks prevention, thus mitigating negative impacts on the economy.*

#### 5. Legislation and law enforcement

##### Legislation

In 2019, the SBV continued to focus on improving the institutional framework for banking operations. Accordingly, the SBV developed and submitted to competent authorities for issuance and competently introduced 43 legal documents, including: 05 Government decrees, 01 Prime Minister's decision; 38 Governor's circulars. The said issued documents laid a solid legal foundation for the SBV to perform key tasks, namely: *(i)* Restructuring the system of CIs; *(ii)* Buying, selling and handling CIs' and VAMC's NPL; *(iii)* Improving institutional framework, strengthening banking inspection and supervision; *(iv)* Continuing to improve regulations on establishment, organization and operation of CIs; operational activities including foreign exchanges, gold and payment, etc.;

With the introduction of legal documents in 2019, the legal system for the banking sector has been improved,

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*Legislation and law enforcement continued to be strengthened to improve the legal framework for monetary and banking operations, contributing to enhancement of state management efficiency as well as improving transparency and unification of the legal system for banking sector.*



contributing to strengthening the state management in monetary and banking sector, laying an important legal foundation for the SBV to manage MP, ensure safety, and accelerate the process of restructuring and consolidation of CI system.

### Strengthening law enforcement in the banking sector

In order to improve the effectiveness of banking law enforcement, the SBV focused on the following tasks: **(i)** Communication of newly issued legal regulations throughout the banking system; **(ii)** reviewing for identification of 51 legal documents whose validity completely terminated and of other 38 whose validity partially terminated; proposing to the Ministry of Justice the abolishment of 04 Prime Minister's decisions that the SBV served as focal agency for drafting; **(iii)** Categorizing and introducing categorization of legal documents under the SBV's management domain in the period 2014-2018, which includes 04 categories: those still valid (480), those whose validity completely expired or terminated (1,051), those whose validity partially expire or terminated (131), and those that need to be suspended, terminated, revised, supplemented, superseded, abolished or renewed (69); **(iv)** Codifying and updating 27 codification results; **(v)** Reviewing international treaties with provisions related to finance-banking, such as CPTPP, EVFTA, ATISA, RCEP and VIFTA; **(vi)** Regularly updating and monitoring the implementation of newly promulgated legal documents, monitoring thematic issues, issuing guideline documents or propose amendments, supplements or promulgation of new documents to meet managerial requirements, thereby enhancing the consistency and transparency of the legal system for banking sector.

## 6. Issuance and vault operation

### Issue operation and cash regulation

In 2019, based on the close monitoring of cash circulation in the economy, the SBV developed a proper cash scheme, planned and promptly organized cash transfer to provincial and city branches across

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*Effectively  
implement issuance*



the country; developed an appropriate printing plan to meet the economy's need for cash, ensuring national monetary security; well implemented cash regulation, ensuring smooth circulation and avoiding shortage of cash, especially on the occasion of Lunar New Year. Besides, the SBV continued to increase the selection and collection of unqualified bank notes to improve the quality of cash in circulation; not to issue new notes in denomination of VND 10,000 and lower during Lunar New Year holidays in order to limit the improper use of note of small denomination, contributing to Vietnamese currency image protection and social cost saving.

*and vault peration,  
ensuring safety  
for the system and  
monetary security.*

### **Vault safety operation**

The SBV continued extensive inspection and review vault safety protection across the industry, through which irregularities and shortcomings have been seriously rectified by relevant units, ensuring ultimate safety in terms of cash, precious assets and valuable papers managed and preserved by themselves. In addition, the SBV issued certain documents directing and rectifying the operations of vault safety protection, as well as providing additional instructions on delivery, maintenance and transport of cash, precious assets and valuable papers; researching on solutions to improve efficiency of CIs' cash transaction models; working on appropriate mechanism and plan to put transit vaults into operation in order to reduce capacity stress for central vault.

### **Counterfeit deterrence**

The SBV analyzed, evaluated and promptly informed and warned new counterfeit currencies that appear for the banking system, the State Treasury; strengthening professional training on real/fake money discrimination skills; presided over and coordinated with the Border Guard forces in communication campaigns deployed to remote areas close to the borderline in 07 northern border provinces; collaborated with the Ministry of Defense and the Ministry of Public Security in conducting survey on the situation of prevention and combat against counterfeit crime in relevantly-significant

localities. In addition, the SBV researched and reviewed regulations related to the cash counterfeit deterrence with a view to ensuring legality as well as to improving efficiency and responsibility.

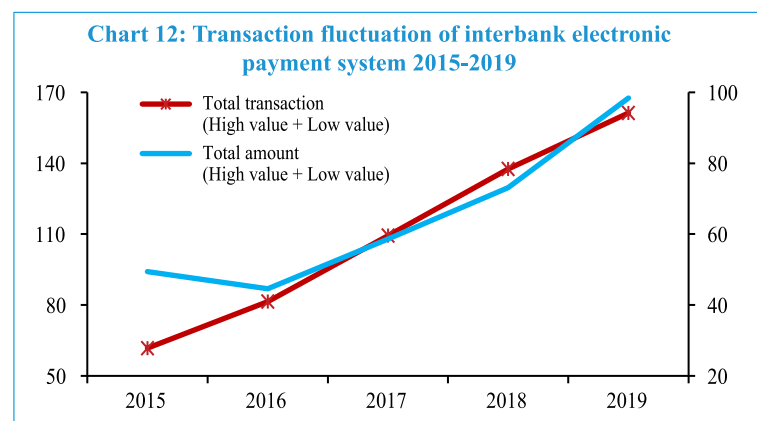
## 7. Payment operation

### Payment system modernization

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*The payment system continued to be modernized with stable, safe, effective, convenient, secured, well serving the need for payment in the economy, contributing to speeding up payment.*

In order to strongly apply the achievements of the Industry 4.0, in 2019, in addition to promulgating appropriate legal framework and standards, the SBV directed commercial banks to build a centralized, standardized, sharing and integrating to create a digital ecosystem spanning a number of fields, such as: mobile banking connected with telecommunication, electricity, aviation, transportation, healthcare, e-commerce websites, supermarkets, etc. To-date, 96 percent of banks have been building a development strategy based on 4.0 technologies, of which 92 percent have developed application services on the Internet and via mobile phones. Besides, customer behavior analysis services on big data, biometric authentication; application of quick response code (QR Code), tokenization, contact and contactless chip card payment, mobile payment, etc. have also been extensively employed by banks.



Source: The SBV

In 2019, there were more than 78 payment service providers implementing internet payment services and 47 payment service providers servicing via mobile phones. The number of transactions via the Internet was more



than 419.6 million, with the value of about VND 22.2 quadrillion (increased by 64.1 percent and 37.3 percent respectively year on year); the number of transactions via mobile phone was more than 552 million, with the value of nearly VND 5.8 quadrillion (increased by 198.4 percent and 210.4 percent respectively year on year). By end of 2019, there have been 19 banks deploying QR Code payment services; the number of transactions by QR Code was recorded at 9.6 million, with total value of nearly VND 12 trillion.

The presence of 32 non-bank organizations licensed by the SBV to provide intermediary payment service has contributed to diversifying and increasing utility in service provision, expanding scope of customer service, optimizing investment costs for information technology infrastructure to develop non-cash payments in line with the Government and the SBV's direction. By end of 2019, it was recorded that there have been active 19,187 ATMs and 227,754 POS across the country; the number of domestic payment transactions by card was more than 327 million with the value of VND 799 trillion (increased by 42.7 percent and 34.9 percent respectively year on year). Banks have integrated more features into the cards to pay for goods and services in parallel with improving card payment service quality and safety; the conversion of magnetic cards to chip cards has been actively implemented on the principle of customers' interest protection.

The interbank electronic payment system in 2019 operated stably, with transaction scale and quantity increasing more and more, meeting the needs for payment, money transfer, promoting quick, convenient, accurate, safe and secured payment. Infrastructure and technologies for non-cash payment continued to get special attention for investment, with quality improved efficiency advanced.

By end of 2019, the interbank electronic payment system had connected with 331 member units participating in the system, including all 63 provincial State Treasuries, meeting the needs for state budget

revenue and expenditure and those of people and enterprises in a prompt and timely manner. Likewise, about 50 banks have completed electronic tax payment connection with Taxation and Customs authorities in 63 provinces/cities; 95 percent of Customs revenues were made via banks; 99 percent of enterprises registered for electronic tax payment; 27 banks and 10 intermediary payment service providers had collaborated to collect power bills; Up to nearly 90 percent of EVN's power bill revenue were collected via banks; The number of hospitals connecting to apply electronic fee payment was 30, some of which have recorded the percentage of non-cash fee payments at 35 percent...

The total number of transactions via the interbank electronic payment system in 2019 reached 161.2 million with the value of VND 98.4 quadrillion, increased by 17.2 percent in volume and by 34.59 percent in value year on year.

### **Management of payment activity and oversight of payment systems**

Legal framework for payment operations keep being reviewed, supplemented and improved to encourage non-cash payments, application of new technologies, payment security and safety in a supportive and synchronized manner. Accordingly, attention had been paid to the improvement of regulations on account opening and using at payment service providers, banking card operations and guidance on payment intermediary services; making research to propose new regulations and standards related to business models and technologies such as mobile money, Development of Fintech Regulatory Sandbox.

Oversight activities of payment system continues to be renewed and strengthened via implementation of Payment System Oversight Strategy in Viet Nam for 2014-2020 period in combination with daily online monitoring of the electronic inter-bank payment system and periodic oversight of foreign currency payment system and securities payment. The management of the provision of payment intermediary services was also enhanced to ensure security and safety in payment activities.

## 8. Credit information

In 2019, CIC applied a series of comprehensive measures to improve the quality of the national credit information database. A range of diversified products and services has also been developed. The IT system and business process has been improved. The outcomes gained reaffirms the position and role of credit information in Viet Nam's financial infrastructure, contributing to the nation's development.

### Development of database of national credit information

In 2019, the conventional information sources from CIs continued to be maintained in a sustainable manner while unconventional ones from ministries, sectors and voluntary organizations were also employed. By the end of 2019, 100 percent of CIs, foreign bank branches, nearly 1,159 PCFs, microfinance institutions and 50 organizations completed reporting to the CIC. Corporates information were collected from the MPI by CIC to improve credit information coverage over the percentage of adult population. The total number of customers in the national credit information database was over 42.3 million, including around 1.1 million legal entities and 41.2 million natural persons; in which the number of customers with outstanding loans was 17.4 million. According to Doing Business Report in 2020 published by the World Bank, Viet Nam's credit access index ranked the 2<sup>nd</sup> in ASEAN and the 7<sup>th</sup> in Asia, improved by 7 levels compared to that had been disclosed in the 2019 report. The credit registry information coverage was also expanded, increased by 8.4 percent compared to that in 2019; the depth of credit information index also increased from 7/8 to 8/8 points.

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*Effectiveness enhancement in the operations of Viet Nam's National Credit Information Center contributes to information transparency and system safety risk prevention in banking activities.*

**Table 4: Depth of credit information index 2020**

Indicator	Viet Nam	East Asia and Pacific	OECD
Depth of credit information index (grade 0-8)	8.0	4.5	6.8
Credit registry coverage (percent of adults)	59.4	16.6	24.4
Credit bureau coverage (percent of adults)	20.6	23.8	66.7

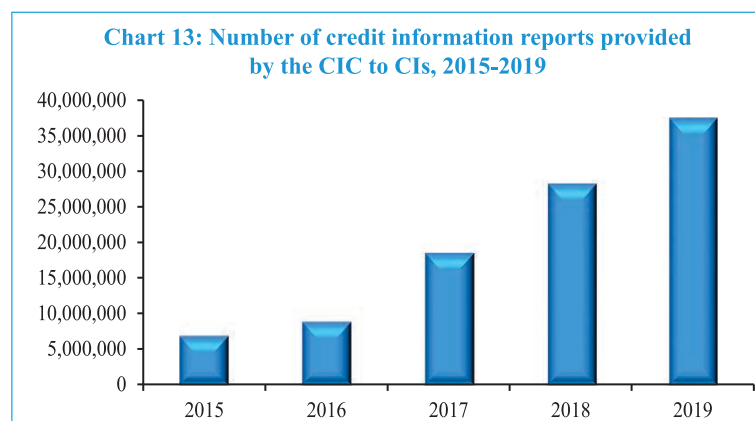
Source: The World Bank – Doing Business 2020.



## Provision of credit information

In 2019, information was timely provided to support the SBV's direction and management activities including monthly analysis reports on credit and NPLs of CIs; credit status by region; reports to facilitate the inspection and supervision of SBV branches in provinces and cities. Besides, the application of new information provision methods (Host to Host), which connects directly CIC's system with risk management and credit approval systems of CIs has made positive impacts on credit information provision. As a result, the number of conventional and other credit reports on request provided by CIC increased by over 20 percent compared to that in the same period in 2018, reaching over 34 million reports and at the rate of automation of 84 percent.

In addition, CIC also provided a large volume of customer information with highest debt level and debt group fluctuations to support the analysis and classification of debts and adjustment of debt category. At the same time, data package was supplied to help CIs develop and examine risk management models, conduct credit scoring, internal credit rating, portfolio management and debt collection. Information was also delivered to support CIs in the implementation of the Basel II standards.



Source: The SBV

## Credit connection to borrowers

In June 2019, CIC officially launched a portal connecting borrowers. Through the portal, complete



solutions with many utilities to connect CIs with borrowers are provided on the website (<https://www.cic.gov.vn>) and via the smartphone application “CIC Credit Connect” (on Android and IOS platforms). Customers can view their own credit reports and scores; access to products, services and other credit policies as provided by CIs.

### Support and credit knowledge dissemination

To strengthen credit information transparency and assist borrowers monitor their own credit information and improve credit scores, a portal connecting borrowers and Contact Center was developed. This is one of the key solutions in the implementation of the Government's Resolution No. 01/NQ-CP, 02/NQ-CP and 35/NQ-CP to improve the business environment and credit accessibility of the people and enterprises.

## 9. Communication and information transparency

In 2019, communication activities of the SBV continued its focus on policies set by the Party, the State and the Government, the SBV's management of MP and banking operations; improving public confidence; timely responses to issues of media and public's interest; coordinating with relevant units and agencies to implement social security activities of the banking industry; strengthening governance and upgrading the interface and content of the SBV's Portal; proactive disclosure of accurate and timely information; improvement of the connect in the banking sector's communication to ensure the consistent and efficient transmission from the Communications Department to relevant units of the SBV's branches in localities and CIs.

Besides, financial education and communication programs such as “Good money, wise money”, “Smart kids”, “Smart money”, “Correct understanding of money” received encouraging feedback from the public which helped promote access to banking products and services, minimize risks for users, reduce social costs, contribute to the active implementation of the non-cash payment scheme, promote payments of public services through banks as well as the implementation of the Scheme of improving access to banking services for the economy.

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*Important results continued to be made in information and communication activities. Communication was deployed in proactive and professional manner, creating the confidence of businesses and people in the management of MP and banking operations, making a positive contribution to the overall performance of the industry.*

## Part III – Internal Governance

### 1. Internal audit

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*Internal audit and control focused on issues with potential risks to enhance the quality and safety of the SBV's operation.*

Internal audit and control was effectively implemented by the SBV in line with Circular No. 16/2011/TT-NHNN dated August 17, 2011 of the Governor. This year, the SBV internal audit was conducted at 30 units of the SBV and 62 internal audit reports on specialized topics were issued. The task emphasized on such areas as assessment of compliance with laws, mechanisms and policies of the industry; the completeness, effectiveness and efficiency of the internal control system within the audited entities, focusing on areas with potential risks such as safety and security of information systems; management, inspection and supervision of CIs, especially PCFs; security of assets at vaults and funds, finance and accounting and construction investment. In addition, the SBV instructed the units to efficiently perform their internal self inspection and control. The internal audits helped units rectify existing shortcomings, review and improve internal processes and regulations to improve its efficient and effective in management and administration, ensure compliance with applicable laws and regulations, enhance safe and effective operation of the SBV.

### 2. Human resources and training

#### Staff, personnel structure and management

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*The SBV's organizational structure is managed in a more streamlined and effective manner in line with the Party and Government's guidelines and policies; staff*

The functions, tasks, powers and organizational structure of SBV's units were continuously reviewed for further improvement. The concrete activities included: (i) Submitted to the Government for the issuance of the following legal documents: Decree No. 43/2019/ND-CP dated May 17, 2019 on amendment and supplement of some articles at the Decree No. 26/2014/ND-CP dated April 07, 2014 on the organization and operation of the Banking Supervision Agency and Decision No. 20/2019/QD-TTg dated June 12, 2019 replacing the Prime Minister's Decision No. 35/2014/QD-TTg dated June 12, 2014 on the functions, tasks, powers and organizational

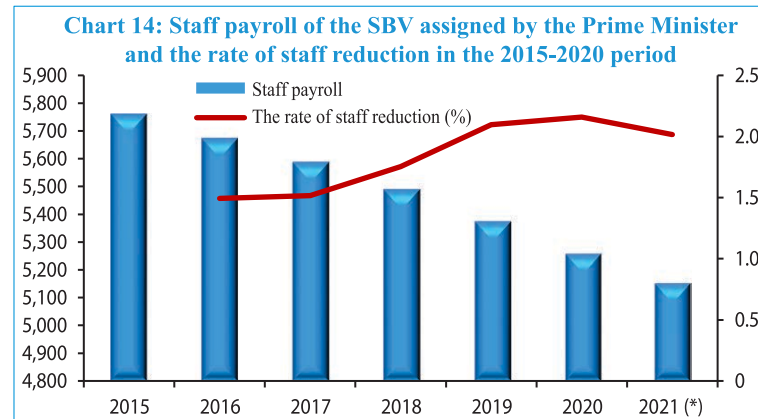
structure of the BSA. The new organizational structure of the BSA was arranged in a more active, efficient and streamline manner including 8 key units, decreasing by 3 units; **(ii)** State management functions for digital banking operations were supplemented; **(iii)** Decision No. 2393/QD-NHNN dated November 14, 2019 was issued to amend and supplement Decision No. 1367/QD-NHNN dated June 26, 2019 of the Governor on the functions, tasks, powers and organizational structure of the Department of Anti-Money Laundering under the BSA; **(iv)** Decision No. 979/QD-NHNN dated May 08, 2019 on establishment of the SBV's Specialized Construction Investment Project Management Unit was released, in which the following units were restructured: the Project Management Unit on Development and Expansion of the National Money Printing Factory for 2009-2020 period, the Construction and Investment Project Management Unit residing at No. 13 De La Thanh street - Ha Noi and the Central Vault and Southern Money Processing Center Project Management Unit.

Regarding personnel management, the SBV assigned headcount limit of units established under SBV; departments and agencies at SBV Head Office and its 63 Branches in provinces and cities. The headcounts were managed closely within the limit as decided by the Ministry of Home Affairs to avoid employee surplus. An annual overall and detailed roadmap was developed, by which the number of staff would be downsided at least by 10 percent by 2020 as compared to that in 2015. The following graph showed the headcount figures assigned for 2015-2019 period and expected figure for 2020-2021 period:

On employee ratio management, in November this year, the SBV organized a type C civil servant contest including 19 required criteria to recruit employees to work at the Banking Information Technology Department. At the same time, the SBV also planned to conduct type C staff for 2019-2020 period via machine-based examinations to timely hire qualified workforce. The application of information technology not only

*quality at unit level and training efficiency are improved alongside with the building of a close linkage between staff training and utilization purposes toward international practices and standards.*

ensured transparency and objectivity in recruitment process but also followed the requirement to reform as set out by the Government in the Public Administration Reform Master Plan for the period 2011-2020 period.



Source: The SBV

(\*) Expected headcount figure in 2021 (decreased by approximately 2 percent compared to that in the previous year)

### Training activities

In realizing the target of building a team of professional labors who are capable of developing and implementing the Central Bank's policies in line with market principles and adoption of advanced technology and international practices and standards, the training activities for employees had obtained many positive results. In 2019, 7,415 of SBV employees and 3,184 staff of CI participated in training programs. The programs were designed with clear structure and standards as required by the Ministry of Home Affairs. Such schemes were suitable for training beneficiaries as embracing practicality and relevance to job positions. The quality of lecturers was improved accordingly. Incentives were created for trainees to help improve training quality and requirements of human resources development in the banking sector. At the same time, the SBV continued to coordinate with ATTF to implement technical assistance projects/programs to meet the need of improving professional knowledge internally.

### 3. Research activities

In 2019, the SBV undertook 04 state-level research projects; 47 ministry-level research projects; 19 unit-level

research projects, focusing on the followings: **(i)** Improving the legal framework for the management and operation of banking activities; **(ii)** Studying scientific and practical arguments to support monetary, credit and exchange rate policy management; **(iii)** Continuing to restructure and enhance soundness of the CIs system in the context of Industry 4.0; **(iv)** Studying to improve the performance and efficiency of banking supervision; **(v)** Studying on the development and application of modern banking technology in banking operations management and banking services development; **(vi)** Studying and making assessment on international cooperation and integration in banking and finance; **(vii)** Other studies to support the operation of the banking system.

In 2019, the SBV organized various workshops on topics of public interest: Banking Viet Nam with the theme of “*Financial inclusion in the rising movement of cashless economy*”; Sector-level workshop on “*Safe and sustainable development of non-bank CIs in Viet Nam*”; “*Enhancing the quality of information collection and credit scoring for individual customers at CIs*”. These workshops enabled incisive and explicit discussions among participants and outlined the current practices and performance of banking activities to propose the solutions, recommendations and strategic directions, contributing to sustainable development of the banking sector in the coming years.

#### 4. Statistics

In 2019, to enhance the quality of statistics the SBV urged, reviewed, and guided CIs to follow statistical reports regime, ensuring accuracy, timeliness, and adequacy for analysis, forecasting and MP operation. In addition, the SBV has also stepped up the work of correcting and handling violations to enhance discipline in implementing statistical reporting regime.

The SBV continued to officially carry out online monthly inflation expectation survey and quarterly business trend survey; piloted biannual lending survey and quarterly expert’s inflation expectation survey.



*The banking sector’s researches continue to be in line with the objectives and tasks assigned to the sector and have made significant contribution to the SBV’s theoretical research and practices of the sector.*



*Statistics continued to be enhanced and developed, which better supports the SBV’s mangement and administration.*



These surveys' results provided informational input for policy makers to recognize the trends, movements and expectations in the monetary market and banking sector in a timely manner. In addition, the SBV continued to update and improve the database on macroeconomic, international and local financial markets data; apply advanced information technology in data mining and report consolidation. Such achievements contributed to the analysis, forecasting, policy formulation and administration of the SBV.

## 5. Information technology

### Strengthening the state management of information technology

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*Strengthening the state management of information technology, promoting technology application in association with institutional reform, management and governance process; ensuring system security and safety.*

Aiming at continued promotion of innovation and application of modern technology through institutional reform and integration of information technology into management and governance processes, the SBV issued a Strategy on Information Technology Development for the Banking Sector to 2025 with visions to 2030, specifically: *“Comprehensively modernizing the management, administration and service provision of the SBV using advanced information technology, managing to transform the SBV into a modern technology-based central bank in ASEAN region by 2025; CIs’ operations are based on advanced technology and banking governance, in accordance with international standards, striving to reach the same stage of technology development with the top four leading countries in ASEAN by 2025; sufficiently meeting the demand of the economy for banking and financial services; Enhancing e-Government setup at the SBV to modernize the management and administration of banking activities in order to meet the requirements set out in the Government’s Resolution No. 17/NQ-CP dated March 7, 2019, contributing to upgrade the United Nation’s e-Government ranking and make Viet Nam one of the top four countries in ASEAN in the e-Government ranking by 2025”*.

Besides, the SBV issued legal documents amending provisions on information technology to follow Strategy



on banking sector development and to meet practical needs; organized 12 compliance-based inspection teams on information technology at CIs, intermediary payments service providers to rectify the shortcomings and limitations, which helps ensure safe and secured sector-wide performance on information technology platform.

### **Development and modernization of the SBV's information technology system were conducted in parallel with information security**

Information systems, which assist the management and administration of the SBV and provide services to CIs, are regularly upgraded in terms of operations and technology, meeting the needs of policy renewal and follow the global trend of information technology.

In 2019, the SBV's CoreBank T24 system performed almost 22 million transactions and contracts. On average, the Corebank system processed about 85,000 transactions and contracts a day; the money market bidding module processed over 230 open market operation auctions with the value of more than VND 450,000 billion, over 150 auctions of SBV bills with a total value of more than VND 1,500 trillion; The interbank electronic payments system processed 161,263,345 transactions with the total amount of VND 98,399,622 billion. The interbank payments transaction volume increased by 18 percent and the transaction amount increased by 32 percent on a year-on-year basis; The reporting system and centralized data warehouse receive about 9,300 data reports from nearly 1,400 units per day on average. On peak days, the system receives between 23,000 and 28,000 reports. Regarding the implementation of e-Government, all of the SBV's administrative procedures have been updated on the National database.

In 2019, amidst complicated developments in information technology security in Viet Nam and worldwide, the SBV uniformly managed technology policies and solutions, strengthened inspection and supervision, and made good use of communication, ensuring safety for information-related activities.



## Part IV – International Cooperation

In 2019, the SBV continued its focus on developing and upgrading the relations with international partners, and strengthening the mobilization of financial, technical and advisory resources to the SBV in particular and to Viet Nam in general, contributing to macroeconomic stability and promoting Viet Nam's integration and position of in the international area.

### 1. International economic integration

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*Deeper integration  
into global and  
regional economy.*

In 2019, the SBV continued to strengthen traditional friendship and comprehensive cooperation between Viet Nam and other ASEAN, ASEAN+3 and APEC countries in finance and banking sector through regular dialogue and series of joint implementation of regional initiatives, etc. Some significant achievements of regional cooperation include: Signing of Memorandum of Understanding to extend the 7<sup>th</sup> ASEAN Swap Arrangement (ASA) on the sidelines of the IMF/WB Annual Meeting; Collaborating with ASEAN Financial Integration Steering Committee on Capacity Building (SCCB) to assist many SBV's managers to attend regional training courses, seminars, and at the same time, design and develop training programs/courses for the SBV staffs as well as staffs of CB in BCLMV countries on Central Bank's operations; Closely coordinating with ASEAN+3 countries to process procedures revising the Chiang Mai Initiative Multilateralization (CMIM) Arrangement to enhance legal status, readiness and performance of CMIM, while successfully implementing the 10<sup>th</sup> CMIM test run to strengthen coordination among member central banks and central bank units in the implementation of currency swap under CMIM.

The SBV, as a member of the Government Negotiating Delegation for the banking sector related issues, has actively participated in negotiations, contributing to accelerate the signing of new-generation Free Trade Agreements (FTAs); endorsed Action plan of

the banking sector for Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and developed periodic reports as planned; closely coordinated with relevant ministries and agencies to expedite the conclusion of the Regional Comprehensive Economic Partnership (RCEP) negotiations, Investment Promotion and Protection Agreement between Viet Nam and Taiwan, and actively participated in bilateral FTA negotiations with the European Free Trade Association (EFTA) and Israel, etc.

In 2019, the SBV was on progress of working closely with the South East Asian Central Banks (SEACEN) to review and approve important issues related to SEACEN's operations. The SBV hosted the Conference of SEACEN's Supervision Director and SEACEN's Information Technology training course in Ha Noi; and sent SBV's staffs to participate in training courses and workshops organized by SEACEN.

In addition, the SBV continued to improve legal framework of the banking sector's operation in line with the roadmap for deep and extensive intergration into WTO; actively participated in exchanges and evaluation session on economic and financial developments, countries's policy responses for making appropriate policy consultations and recommendations, contributing to enhance multilateral economic cooperation, expanding service markets, strengthening regional and international monetary and banking cooperation in multilateral forums; involved in G20 financial cooperation process: particularly participated in the Meeting of G20 Finance and Central Bank Deputies, the Meeting of G20 Finance Ministers and CBs Governor; provided comments on Viet Nam cooperations and engagements in G20 Senior Official Meeting (SHERPA), etc. Participation in the G20 Process is an important preparatory step for Viet Nam in general and for the SBV in particular in developing and implementing priorities for banking and financial cooperation in Viet Nam's role as 2020 ASEAN Chairmanship.

## 2. Cooperation with international financial and monetary institutions

“

*Strengthening position in international financial and monetary institutions.*

The SBV continued to well undertake the representative role of the Government of Viet Nam at such international financial and monetary institutions as the IMF, WB, ADB, AIIB, IBEC, IIB through maintaining and developing cooperations, communication on policies and guidelines of the Government, thereby tightening relationships with these organizations.

In 2019, the SBV leaders represented the Government of Viet Nam to attend the IMF/WB Spring Meeting and Annual Meeting in the United States, the ADB Annual Meeting in Fiji, AIIB Annual Meeting of the Board of Governor in Luxembourg, etc.; welcomed leaders of international financial institutions as WB's Vice President, WB's Vice President cum Chief Economist, IMF's Resident Representative for Viet Nam, Executive Director of the Constituency in the AIIB, ADB's Vice President, Executive Director of the ADB in Viet Nam, President of IIB, President of IBEC... Leaders of international financial institutions had meetings with Government leaders to discuss opportunities to strengthen cooperation between international financial institutions with Viet Nam, tighten relations with partner countries and enhance Viet Nam's position internationally.

*In relations with the ADB* in 2019, the SBV received 04 grants from the ADB with an approximate amount of about USD 5.9 million; actively participated in the ADB's key operational policy development such as 2030 Strategy, Action plan for 2030 Strategy, policies for private sector, post-graduate policy; successfully advocate ADB to approve policy for OCR loans fees-waiving for Viet Nam in 2021; chaired and coordinated with the ADB to organize workshops, seminars, and training courses on ADB's policy dissemination; implemented many supporting activities of the ADB to the SBV such as reviewing the implementation of Decision No. 20/2017/QĐ-TTg on microfinance, developing centralized database for implementing Basel II, establishing a financial



inclusion website, assisting mutual evaluation on anti-money laundering, and improving legal framework on Fintech, etc.

*In relations with the WB*, in 2019, the SBV received 04 grants from the WB with a total value of about USD 29.4 million; proactively strengthened relationships and cooperations with the WB, and continued to request member organizations of the World Bank, such as the International Financial Corporation (IFC) and the Multilateral International Guarantee Agency (MIGA) to assist Vietnamese organizations and enterprises in various forms, such as extending loans, investments, guarantees, etc., and effectively solved problems arising in their operations in Viet Nam.

*In relations with the AIIB*, the SBV continued to affirm its role as a founding member with full responsibility in AIIB. In particular, as an Alternate Executive Director of the Constituency in the AIIB (for the term from July 2019 to June 2020), SBV's representatives have actively involved in developing policies, operational strategies of the AIIB, approving AIIB's loans/investments to member countries, contributing to increasing Viet Nam's visibility in this organization.

*In relations with the IMF*, the SBV well undertook its role as the focal point with the IMF, cooperated closely with the IMF Office in Viet Nam, the SEAGV Group Office, regularly exchanged and updated information and data, participated in the IMF's Financial Access Survey, governance, risk management and central bank's compliance with data provision to international partners. The IMF has provided many policy advice and technical assistance programs to the SBV in many areas: External Sector Statistics (ESS), developing Forecasting and Policy Analysis System (FPAS), and Enhanced General Data Dissemination System (e-GDDS), etc.

*In relations with the IIB/IBEC*, the SBV well undertook the role of the Government's representative and actively involved in developing "rules of the game" to optimise national rights and benefits at the IIB/IBEC,

especially when the two banks are taking drastic steps to reform their organizational structure and operations.

In 2019, the SBV continued to interchange with BIS, actively participated in groups, forums and affiliated organizations. The SBV is currently a permanent observer in affiliated conferences and forums of the BIS. In June 2019, the SBV attended the 89<sup>th</sup> Annual Meeting of BIS in Basel, Switzerland. In 2020, it is expected that the SBV would complete the procedure for joining the BIS.

### 3. Bilateral cooperation

“

*Bilateral cooperation continues to be strengthened and promoted.*

In 2019, the SBV developed and deepened cooperations with CBs, banking supervision agencies in countries that have conventional cooperation with Viet Nam, such as Laos, China, Cambodia, Thailand, Korea, Japan in line with the Party and Government's policies and guidelines on strengthening/promoting international integration. The SBV actively established relations with CBs and banking supervisory authorities in potential region, where Governments have intention to promote trade and investment relations like the Middle East, Africa, etc, highlighted by remarkable events such as the 2019 High-Level Bilateral Conferences with Bank of Lao PDR, National Bank of Cambodia, Bank of Thailand; the SBV's Postgraduate Education Support Scheme for the Bank of the Laos PDR and Cambodia; carried out a survey to provide advisory support on restructuring to the Bank of the Laos PDR; participated in the discussion on trade and investment payments at the Meeting with Ambassadors of the Middle East and Africa in September 2019, etc.

In 2019, the SBV reviewed and amended/signed new international agreements to set the ground for promoting cooperation between the SBV and authorities in areas of mutual interest, including: A Memorandum of Understanding on the cooperation and exchange of information in banking supervision between the SBV and the Korea Financial Services Commission (FSC) and the Korea Financial Supervisory Service (FSS) in June 2019; Memorandum of Understanding on cooperation



and information exchange in banking supervision and financial innovation between the SBV and the Bank of Thailand in August 2019; the Memorandum of Understanding on key central banking activities for the 2019-2024 period between the Bank of the Lao PDR and the SBV in October 2019.

The SBV continued to effectively implement the cooperation initiatives/agreements that have been put in place with China and Russia. Regarding the relation with the United States, the SBV has actively involved in the preparation of the Reports on major economic and trade partners of the United States; coordinated with relevant agencies to actively develop plans and scenarios to work with the United States as Viet Nam meets United States criteria to be labeled as a currency manipulator, and proactively proposed solutions and limited adverse impacts when the United States updated its Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners.

Moreover, the SBV, through bilateral cooperation forums and committees between the Government and other countries, actively proposed cooperational aspects in the banking sector to establish a mechanism for exchanging information on legal frameworks and markets in order to facilitate and encourage commercial banks in Viet Nam explore and establish connections and agent networks in foreign markets, etc.

A horizontal graphic with a light gray rounded rectangle in the center, flanked by blue semi-circular shapes on both sides. The word "APPENDIX" is written in a bold, black, serif font across the gray rectangle.

## APPENDIX



## APPENDIX 1: INTEREST RATES ANNOUNCED BY THE SBV

*Unit: percent per annum*

Time	Refinancing rate	Rediscount rate	Overnight interbank lending rate
December 2018	6.25	4.25	7.25
January 2019	6.25	4.25	7.25
February 2019	6.25	4.25	7.25
March 2019	6.25	4.25	7.25
April 2019	6.25	4.25	7.25
May 2019	6.25	4.25	7.25
Jun 2019	6.25	4.25	7.25
July 2019	6.25	4.25	7.25
August 2019	6.25	4.25	7.25
September 2019	6.00	4.00	7.00
October 2019	6.00	4.00	7.00
November 2019	6.00	4.00	7.00
December 2019	6.00	4.00	7.00

*Source: The SBV*

## APPENDIX 2: OPEN MARKET OPERATIONS

Bid	2019
Number of sessions	253
Maturity (days)	7; 14; 21; 28
Number of Bidders	461
Average bid volume per session (VND billion)	2,039
Average success volume per session (VND billion)	2,005
Interest rate (percent per annum)	4.75; 4.5; 4.0
Bidding method	Volume
Ask	2019
Number of sessions	152
Maturity (days)	7; 14
Number of Bidders	1,188
Average bid volume per session (VND billion)	25,136
Average success volume per session (VND billion)	9,992
Interest rate (percent per annum)	2.25-3.0
Bidding method	Volume

*Source: The SBV*

## APPENDIX 3: REQUIRED RESERVE RATIO (\*)

Unit: percent

Effective time	VND DEPOSITS (**)		FOREIGN CURRENCY DEPOSITS				Deposits of offshore/overseas/foreign CIs (***)
	Deposits of customer, State Treasury, issuance of valuable papers		Deposits of customer, State Treasury, issuance of valuable papers				
			Demand and less than 12 month deposits		12 month and up deposits		
	Demand and less than 12 month deposits	12 month and up deposits	Viet Nam banks for Agriculture and Rural Development (VBARD), Cooperative banks	Other credit	Viet Nam banks for Agriculture and Rural Development (VBARD), Cooperative banks	Other credit	
May 2011	3	1	5	6	3	4	
June 2011	3	1	6	7	4	5	
September 2011	3	1	7	8	5	6	1

(\*) Excluding PCFs, microfinance institutions apply the required reserve ratio of 0 percent for all types of deposits; policy banks apply the required reserve ratio according to the Government's regulations.

(\*\*) CIs with an average density of lending for agricultural and rural development of 40 percent and over may apply lower required reserve ratio than the above required reserve ratio as prescribed by the SBV on guiding the implementation of measures to operate MP tools to support CIs to lend for agricultural and rural development (which is currently Circular No. 14/2018/TT-NHNN dated May 29, 2018).

(\*\*\*) CIs operating in Viet Nam calculate required reserves for deposits received from foreign CIs (CIs established and operating abroad) according to Circular No. 27/2011/TT-NHNN August 31, 2011 of the State Bank of Viet Nam on amending and supplementing a number of articles of the Regulation on compulsory reserve for CIs issued together with Decision No. 581/2003/QĐ-NHNN dated June 9, 2003 of the SBV Governor.

Source: The SBV

## APPENDIX 4: BALANCE OF PAYMENT

Unit: USD Million

	2018	2019
<b>A. CURRENT ACCOUNT</b>	<b>5,769</b>	<b>13,138</b>
Goods: Export F.O.B	243,697	264,189
Goods: Import F.O.B	227,157	242,695
<i>Goods (net)</i>	<i>16,540</i>	<i>21,494</i>
Services: Export	14,775	16,637
Services: Import	18,585	19,116
<i>Services (net)</i>	<i>-3,810</i>	<i>-2,479</i>
Investment income (Primary income): Receipts	1,615	2,237
Investment income (Primary income): Payment	17,433	17,356
<i>Investment income (Primary income) (net)</i>	<i>-15,818</i>	<i>-15,119</i>
Current transfers (Secondary income): Receipts	10,869	11,611
Current transfers (Secondary income): Payment	2,012	2,369
<i>Current transfers (Secondary income) (net)</i>	<i>8,857</i>	<i>9,242</i>
<b>B. CAPITAL ACCOUNT</b>	<b>0</b>	<b>0</b>
Capital account: Receipts	0	0
Capital account: Payment	0	0
<b>C. FINANCIAL ACCOUNT</b>	<b>8,466</b>	<b>18,960</b>
Direct Investment Abroad: Assets	-598	-450
Direct Investment in Viet Nam: Liabilities	15,500	16,120
<i>Direct Investment (net)</i>	<i>14,902</i>	<i>15,670</i>
Portfolio Investment Abroad: Assets	0	3
Portfolio Investment in Viet Nam: Liabilities	3,021	2,995
<i>Portfolio Investment (net)</i>	<i>3,021</i>	<i>2,998</i>
Other Investment: Assets	-11,143	-7,789
Cash and deposit	-10,804	-8,081
CIs	-4,449	-4,346
Other sectors	-6,355	-3,735
Loans	0	0
Trade credit and advances	0	0
Other receivables/payables	-339	292
Other Investment: Liabilities	1,686	8,081
Cash and deposit	-198	2,864
CIs	-268	2,743
Other sectors	70	121
Borrowing and repayment of foreign debts	1,884	5,217
Short term	-3,313	286
Debt	20,712	18,385
Amortization	-24,025	-18,099
Long term	5,197	4,931
Debt	12,956	13,030
Government's debt	3,010	2,350
Private debt	9,946	10,680
Amortization	-7,759	-8,099
Amortization	-1,570	-1,764
Repayment of Privatization	-6,189	-6,335
Commercial Credit and advance payment	0	0
Receivable and Accrued Expenses	0	0
<i>Other Investment (net)</i>	<i>-9,457</i>	<i>292</i>
<b>D. ERRORS AND OMISSIONS</b>	<b>-8,204</b>	<b>-8,844</b>
<b>E. OVERALL BALANCE</b>	<b>6,031</b>	<b>23,254</b>
<b>F. RESERVES AND OTHER ITEMS</b>	<b>-6,031</b>	<b>-23,254</b>
Reserves Assets	-6,031	-23,254
Claims on and borrow from the IMF	0	0
Special Finance	0	0

Source: The SBV

## APPENDIX 5: USD/VND EXCHANGE RATE

Unit: USD/VND

2019	Exchange Rate end-month			Average Exchange Rate in the month		
	Central reference Rate	Average Rate of Vietcombank		Central reference Rate	Average Rate of Vietcombank	
		Buying	Selling		Buying	Selling
January	22,868	23,160	23,250	22,851	23,156	23,246
February	22,915	23,150	23,250	22,903	23,154	23,251
March	22,980	23,150	23,250	22,953	23,152	23,252
April	23,028	23,230	23,330	22,997	23,166	23,266
May	23,065	23,355	23,475	23,055	23,298	23,415
June	23,066	23,260	23,380	23,060	23,285	23,405
July	23,073	23,140	23,260	23,069	23,164	23,284
August	23,133	23,130	23,250	23,115	23,148	23,268
September	23,161	23,150	23,270	23,142	23,147	23,267
October	23,145	23,150	23,270	23,155	23,144	23,264
November	23,162	23,125	23,245	23,143	23,140	23,260
December	23,155	23,110	23,230	23,162	23,113	23,233

Source: The SBV

Note: Listed Exchange Rate is the amount of VND to exchange 1 USD

## APPENDIX 6: DOMESTIC GOLD PRICES

Unit: VND Million/tael

2019	Gold Price end-month	Average Gold Price in the month
January	37.00	36.65
February	36.92	36.99
March	36.48	36.63
April	36.33	36.37
May	36.40	36.30
June	38.94	37.98
July	39.73	39.21
August	42.48	41.63
September	41.72	42.03
October	41.86	41.70
November	41.28	41.48
December	42.58	41.62

Source: The SBV

## APPENDIX 7: CONSUMER PRICE INDEX

Unit: percent

Year	Time	January	February	March	April	May	June	July	August	September	October	November	December
2015	Year to date	-0.20	-0.25	-0.10	0.04	0.20	0.55	0.68	0.61	0.40	0.51	0.58	0.60
	Month on month	-0.20	-0.05	0.15	0.14	0.16	0.35	0.13	-0.07	-0.21	0.11	0.07	0.02
	Year on year	0.94	0.34	0.93	0.99	0.95	1.00	0.90	0.61	0.00	0.00	0.34	0.60
	Average year on year	0.94	0.64	0.74	0.80	0.83	0.86	0.86	0.83	0.74	0.67	0.64	0.63
2016	Year to date	0.00	0.42	0.99	1.33	1.88	2.35	2.48	2.58	3.14	4.00	4.50	4.74
	Month on month	0.00	0.42	0.57	0.33	0.54	0.46	0.13	0.10	0.54	0.83	0.48	0.23
	Year on year	0.80	1.27	1.69	1.89	2.28	2.40	2.39	2.57	3.34	4.09	4.52	4.74
	Average year on year	0.80	1.03	1.25	1.41	1.59	1.72	1.82	1.91	2.07	2.27	2.47	2.66
2017	Year to date	0.46	0.69	0.90	0.90	0.37	0.20	0.31	1.23	1.83	2.25	2.38	2.60
	Month on month	0.46	0.23	0.21	0.00	-0.53	-0.17	0.11	0.92	0.59	0.41	0.13	0.21
	Year on year	5.22	5.02	4.65	4.30	3.19	2.54	2.52	3.35	3.40	2.98	2.62	2.60
	Average year on year	5.22	5.12	4.96	4.80	4.47	4.15	3.91	3.84	3.79	3.71	3.61	3.53
2018	Year to date	0.51	1.24	0.97	1.05	1.61	2.22	2.13	2.59	3.20	3.54	3.24	2.98
	Month on month	0.51	0.73	-0.27	0.08	0.55	0.61	-0.09	0.45	0.59	0.33	-0.29	-0.25
	Year on year	2.65	3.15	2.66	2.75	3.86	4.67	4.46	3.98	3.98	3.89	3.46	2.98
	Average year on year	2.65	2.90	2.82	2.80	3.01	3.29	3.45	3.52	3.57	3.60	3.59	3.54
2019	Year to date	0.10	0.90	0.69	1.00	1.50	1.41	1.59	1.87	2.20	2.79	3.78	5.23
	Month on month	0.10	0.80	-0.21	0.31	0.49	-0.09	0.18	0.28	0.32	0.59	0.96	1.40
	Year on year	2.56	2.64	2.70	2.93	2.88	2.16	2.44	2.26	1.98	2.24	3.52	5.23
	Average year on year	2.56	2.60	2.63	2.71	2.74	2.64	2.61	2.57	2.50	2.48	2.57	2.79

Source: General Statistics Office

## APPENDIX 8: MONERATY AND CREDIT INDICATORS

Items	2018	Q1/2019	Q2/2019	Q3/2019	2019
<b>Closing balance (VND billion)</b>					
1. Total liquidity	9,211,848	9,478,157	9,866,484	10,083,735	10,573,725
2. Deposit of resident economic entities and individuals	8,126,830	8,314,934	8,729,610	8,951,868	9,375,630
3. Credit to the economy	7,211,175	7,437,086	7,742,083	7,888,910	8,195,393
<b>Annual percentage change</b>					
1. Total liquidity	12.41	2.89	7.11	9.46	14.78
2. Deposit of resident economic entities and individuals	12.61	2.31	7.42	10.15	15.37
3. Credit to the economy	13.89	3.13	7.36	9.40	13.65

Source: The SBV

## APPENDIX 9: GROSS DOMESTIC PRODUCT

Year	GDP at Current Price (VND billion)	GDP Growth* ( percent)	GDP Per Capita (VND thousand)
2011	2,779,880	6.24	31,640
2012	3,245,419	5.25	36,544
2013	3,584,262	5.42	39,932
2014	3,937,856	5.98	43,402
2015	4,192,862	6.68	45,462
2016	4,502,733	6.21	48,286
2017	5,005,975	6.81	53,094
2018	5,542,332	7.08	58,105
2019	6,037,348	7.02	62,574

Source: General Statistics Office

Note: \* Compared to 2010 price





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