

NGÂN HÀNG NHÀ NƯỚC VIỆT NAM

THE STATE BANK OF VIET NAM

BÁO CÁO THƯỜNG NIÊN

ANNUAL REPORT

2020



NHÀ XUẤT BẢN THÔNG TIN VÀ TRUYỀN THÔNG
INFORMATION AND COMMUNICATIONS PUBLISHING HOUSE

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ABBREVIATION LIST

Abbreviation	Content
ADB	Asian Development Bank
AIIB	The bank at Asian Infrastructure Investment Bank
BIS	Bank for International Settlement
BoJ	Bank of Japan
CAR	Capital Adequacy Ratio
CI	Credit Institution
CIC	Viet Nam's National Credit Information Center
CPI	Consumer Price Index
ECB	European Central Bank
Fed	Federal Reserves
FDI	Foreign Direct Investment
IMF	International Monetary Fund
M2	Total liquidity
NPL	Non-performing loan
OMOs	Open Market Operations
PBoC	People's Bank of China
PCFs	People's Credit Funds
ROA	Return on Assets
ROE	Return on Equity
SBV	State Bank of Viet Nam
SOCBs	State-owned commercial banks
USD	U.S. dollar
VAMC	Viet Nam's Asset Management Company
VBSP	Viet Nam's Bank for Social Policy
VND	Viet Nam dong
WB	World Bank
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
(until November 11, 2020)



Ms. Nguyen Thi Hong
Governor
(appointed from November 12, 2020)



Mr. Dao Minh Tu
Standing Deputy Governor



Mr. Nguyen Kim Anh
Deputy Governor



Mr. Doan Thai Son
Deputy Governor



Governor
Nguyen Thi Hong

Forewords by the Governor

The outbreak of the Covid-19 pandemic in 2020 caused a global economic recession, supply chain disruption, financial and monetary market volatility, and capital outflows from emerging markets. A series of policies and measures on an unprecedented scale to support the economy to overcome difficulties were simultaneously implemented by many countries. Domestically, the Covid-19 pandemic together with natural disasters, floods, droughts, salinization, etc. seriously affected economic, cultural and social activities as well as employment and income of workers.

In close execution of the direction of the Government, the Prime Minister to realize the dual goal of “*Pandemic prevention and economic recovery and development as well as protection of people’s lives*”, the SBV managed monetary policy and banking activities in flexible and proactive manner with close coordination with macroeconomic policies to respond to the pandemic, control inflation, stabilize the market and the macroeconomic fundamentals. The SBV drastically implemented breakthrough solutions, promptly responded to the pandemic, contributing to growth recovery, and removing difficulties on businesses and people:

First, the SBV promptly decreased policy interest rates three times with the total reduction level of 1.5-2% p.a, making Viet Nam one of the countries with the biggest policy interest cut in the region, facilitating CIs to access low-cost capital from the SBV to reduce lending interest rate. At the same time, the SBV directed CIs to actively balance their finances, thoroughly cut costs, and focus their resources to apply reasonable lending interest rates to support businesses and people to overcome difficulties. As a result, the average rate of CPI inflation in 2020 reached 3.23%; in which, core inflation averaged at 2.31%, contributing to stabilizing CPI inflation, creating a solid macro foundation and a healthy and stable business environment.

Second, the SBV issued legal documents in proactive and prompt manner to create legal corridors and breakthrough mechanisms for CIs to support and remove difficulties on businesses and people; including Circular No. 01/2020/TT-NHNN dated March 13, 2020 on debt rescheduling, exemption or reduction of interest and fees, retention of debt category to assist borrowers affected by Covid-19 pandemic. The VBPS was refinanced, due on January 31, 2021, to lend to employers at the interest rate of 0% p.a to pay salary for employees, contributing to the implementation of social security policies.

Third, the SBV managed credit in flexible manner, ensured adequate and timely capital supply to the economy with focus on priority areas; strictly controlled credit

flows to potentially risky fields and foreign currency lending; and promoted policy credit by the VBSP. Those measures contributed to implementing social security policy, repelling black credit; and promptly solving difficulties facing people and businesses in accessing bank credit. At the same time, the SBV organized many conferences to connect banks with businesses nationwide. As a result, the banking industry's activities contributed to supporting Viet Nam's economy in reaching the growth rate of 2.91% in 2020, among few countries with positive growth.

Fourth, the central exchange rate and foreign exchange market continued to be managed in flexible and efficient manner, limiting speculation and hoarding of foreign currencies, contributing to absorbing shocks to the economy, particularly in the context that the spreading Covid-19 pandemic made the demand for USD liquidity increase globally. The SBV regulated liquidity reasonably and actively implement its communication, and intervened to buy/sell foreign currencies with CIs. Thanks to those actions, market liquidity remained smooth, foreign currency needs were fully and timely met; and the foreign exchange reserves continued to be built up, helping to consolidate financial potential and nation's credit.

Fifth, the SBV continued to accelerate the restructuring of CIs in association with NPL resolution with many breakthrough measures, thus removing many "bottlenecks". Inspection and supervision over activities of CIs were strengthened. The SBV regularly warned risks, thereby enhancing the role of financial intermediary of the CI system in association with ensuring the system safety. Thereby, the stability and safety of the CI system continued to be strengthened; financial capacity, governance, and risk management gradually improved and approached international practices; system liquidity was guaranteed, credit quality was improved, and bad debts were effectively controlled and resolved.

Sixth, the SBV continued to promote non-cash payments, digitalization and digital transformation in the banking system, innovation and development of payment products and services in association with improvement of service quality; development of information technology infrastructure, security and safety enhancement in banking activities, thus contributing to improving the lifeline role of the payment system in providing capital to the economy. In addition, in order to facilitate CIs to reduce service fees and support customers in the context of complicated developments of the Covid-19 pandemic, the SBV sharply cut domestic payment service fees through the Internet Banking System.

In addition to the above measures and policies, the SBV implemented others in effective and synchronous manner; namely management and stabilization of the gold market; drastic administrative reform, information transparency; promotion of communication work, renovation and improvement of statistics, organization, training, scientific research, financial supervision, etc. Besides, the SBV continued to develop and expand bilateral and multilateral relations with other central banks,

international financial institutions in order to enhance the position of Viet Nam in the international arena.

In 2021, there remain great difficulties and challenges for the banking industry. However, with the positive results achieved in the past years and the close attention and direction of the Party and the State, the close coordination of ministries, agencies and localities, the SBV and the banking sector will continue to strive to successfully complete the tasks entrusted by the Party, the State and people, create strong changes to successfully implement the tasks of the 2021 socio-economic development plan and create momentum for the successful implementation of the 5-year socio-economic development plan between 2021 and 2025 according to the Resolution of the 13th National Congress of the Party and Resolution No. 16/2021/QH15 dated July 27, 2021 of the National Assembly.

Governor of the State Bank of Viet Nam



NGUYEN THI HONG

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

Banking Strategy Institute

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.

Viet Nam's National Credit Information Center

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.

Banking Times

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.

Banking Review

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.

Banking Training School

Trains and strengthens human resource capacity; provides with staff of the SBV and the banking sector with up-to-date professional knowledge and skills.

Banking Academy

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 2020, the global economy experienced the ever deepest recession in recent decades. Under the impact of the Covid-19 pandemic, international trade and investment dropped. There was a complicated fluctuation in the world commodity market; food prices rose to the 6-year highest level; WTI oil prices fluctuated with the average decline of 31.3% y-o-y in 2020. In that context, inflation was maintained at low levels. In the financial market, capital outflows took place in emerging markets (except China), the USD-Index decreased by 6.4%; gold price increased by 24% for the need to hedge in the context of the crisis. International organizations continuously revised down their global growth forecasts. In that context, central banks implemented unprecedented monetary easing measures to support the economy.

1.1. World economic growth

According to the IMF,¹ world economic growth rate in 2020 was -3.3% (2019: 2.8%); global inflation slowed down, from 3.5% in 2019 to 3.2% in 2020.

The U.S.'s economy had a deep decline with the growth rate of -3.5% (2019: 2.2%). The labor market was strongly affected, the unemployment rate increased from 3.5% as of end-2019 to 6.7% as of end-2020. In the context of economic recession, the Fed cut policy interest rate from 1.5 - 1.75% down to 0 - 0.25%. Budget deficit as of end of FY 2020 tripled compared to the 2019 deficit level, reaching USD 3.1 trillion, or about 15.2% of GDP - the largest deficit as% age of GDP since 1945. Public debt in 2020 increased from 108.2% of GDP in 2019 to 127.1% of GDP. Inflation rate declined from 1.8% in 2019 to 1.2% in 2020.

The Eurozone's economy suffered a serious decline of 6.6% (2019: increased by 1.3%). Among the major economies, the Italian economy decreased by 8.9% (2019: increased by 0.3%), France down by 8.2% (2019: increased



World economy experienced a strong recession under the impact of the Covid-19. Global inflation remained low, world crude oil price dropped.

¹ World Economic Outlook Report, April 2020, IMF.

by 1.5%), Germany fell by 4.9% (2019: increased by 0.6%) and Spain -11% (2019: 2%). Public debt increased from 84% of GDP in 2019 to 96.9% of GDP in 2020, particularly in Greece: 213.1% of GDP and Italy: 155.6% of GDP. Inflation rate in the whole region slowed down from 1.2% in 2019 to 0.3% in 2020. The unemployment rate regionwide increased to 8.3% (2019: 7.4%), with a large increase in Spain (16.2%), Italy (9%) and France (8.9%).

Japan's economy shrank at the rate of 4.8% (2019: increased by 0.3%). Export turnover dropped, many socio-economic activities were stalled, causing economic recession. Public debt stood at 256.2% of GDP (2019: 234.9% of GDP). Inflation rate was -0.02% (in 2019: 0.5%).

Economic growth rate in *emerging and developing countries* was -2.2% (2019: 3.6%) - the first negative growth rate in almost 50 years. Among the BRICS, only China reached positive growth rate of 2.3% (2019: 6.0%) because earlier pandemic control promoted a rapid recovery of economic activity. Brazilian, Russian and Indian economies all dropped, by 4.1%, 3.1% and 8.0%, respectively (2019: increased by 1.4%, 2.0% and 4.0%, respectively). ASEAN-5 economies² decreased by 3.4% (2019: increased by 4.8%), of which only Viet Nam achieved positive growth while other economies all declined. The average inflation rate in emerging and developing countries was 5.1%, equivalent to that of 5.08% in 2019.

Global trade dropped by 8.5% amidst trade and global supply chain disruptions as many governments applied blocking, social distancing measures and closed borders.

Global investment slumped by 35% from USD 1500 billion in 2019 to USD 1000 billion in 2020 (the lowest level since 2005). Investment decline was mainly concentrated in developed countries, down by 58%, while that in developing countries decreased by 8%.

1.2. Monetary policy management in some countries

Monetary policy was targeted by central banks to ensure market liquidity, give urgent support to the economy through sharp interest rate cuts (207



*Facing the risk of
an economic*

² Include: Indonesia, Malaysia, Philippines, Thailand, Viet Nam.

interest rate cuts globally in total), promptly deploy unprecedented large-scale quantitative easing packages, directly supporting the corporate sector, intervene in the corporate bond market, implement low-interest corporate lending programs, loosen prudential regulations on the banking system to ensure the smooth functioning of the financial system and facilitate the flow of credit to households and businesses.

For developed countries, the Fed lowered the Fed Fund Rate urgently with a total reduction of 1.5 percentage points, to 0-0.25%; and for the first time acquired “unlimited” Government and asset-backed bonds with a scale of USD 120 billion per month. In addition, the Fed implemented a series of lending programs for local governments, small and medium-sized enterprises, financing commercial paper issuance, etc. The U.S.’s central bank applied an “average inflation” target to allow inflation to exceed the target over a certain period of time. The ECB maintained negative interest rate policy; expanded the scale of the Pandemic Emergency Purchase Program (PEPP) to EUR 1,850 billion and committed to maintain it until March, 2022. Conditions on eligible collateral in refinancing window was loosen. Similarly, the BoJ maintained negative interest rate policy along with many preferential interest rate lending programs and “unlimited” government bond purchases.

For emerging and developing countries, in the context of the wave of monetary easing in developed countries and the risk of economic recession, emerging and developing countries chose to deploy many monetary policy easing measures to support the domestic economy, too. The PBoC lowered interest rates, reduced reserve requirement ratio, injected liquidity, and increased credit line for private and small and medium-sized enterprises. The Reserve Bank of India lowered the policy rate and provided liquidity support to the banking system.

2. Viet Nam's economy

In 2020, the Covid-19 pandemic was a great shock, causing a sharp downturn in the world economy and global trade. Domestically, despite the advantages of

crisis caused by the Covid-19 pandemic, many central banks implemented unprecedented large-scale monetary easing measures to rescue the economy.

the positive growth momentum in 2019, the Covid-19 pandemic made a profound impact on many aspects of economic and social life, production and business. Many economic, cultural and social activities were seriously affected, millions of laborers were understaffed, lost their jobs, and their incomes declined. In addition, climate change, extreme weather, natural disasters, droughts and floods caused heavy damage to production and people's lives. In that context, alongside the tasks and solutions set out by the Government at the beginning of the year in Resolutions No. 01/NQ-CP and 02/NQ-CP, the Party and the State continued to issue many prompt guidelines and policies that handle urgent issues of the economy, through the issuance of Conclusion No. 77-KL/TW dated June 5, 2020 of the Politburo on "*Policy to overcome the impact of the Covid-19 for economic recovery and development*". Thanks to the drastic struggle, the spirit of solidarity and consensus of the political system, Viet Nam had overcome difficulties to rise up strongly, successfully realized the "*dual goal*": preventing the Covid-19 pandemic, while recovering and developing the economy, ensuring people's lives. As a result, macro-economic fundamentals were stabilized, inflation was controlled, major economic balances were protected, state foreign exchange reserves were accumulated to a record high level, and production and business were gradually restored. Economic growth reached the rate of 2.91%, making Viet Nam one of the economies with the highest growth rate in the world. At the same time, the damage caused by the pandemic was minimized, thus ensuring the people's security and social welfare. Viet Nam was recognized by the world as a bright spot in disease prevention and control and socio-economic development.

2.1. Economic growth



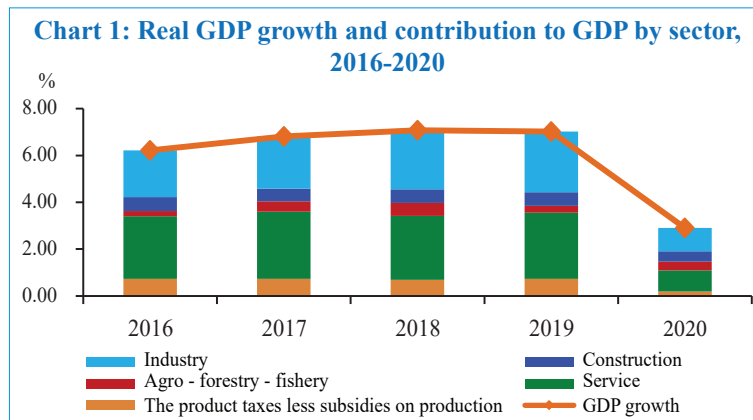
In 2020, Viet Nam's economic growth reached the rate of 2.91% only, the

By economic industries, construction and service had the lowest growth rate in the past years due to the heavy impact of the Covid-19 pandemic. The Agro - forestry - fishery had a higher growth rate than that in 2019, demonstrating its supporting role for the economy in difficult times, ensuring the supply of food and essential

goods which was important to carry out social security work during the pandemic

Agro - forestry - fishery increased by 2.68%, higher than the increase of 2.01% in 2019 mainly for the strong recovery of agriculture while the forestry and fishery slowed down. The agriculture sector increased by 2.55% (2019: 0.61%) thanks to the strong recovery of pig farming after a long time affected by African swine fever.

Industry increased by 3.36% - the lowest in the last 10 years due to the negative impact of the Covid-19 pandemic. In which, processing and manufacturing increased by 5.82% - the lowest in the last 11 years, but amidst complicated development of the pandemic, the industry still played the leading role in the overall growth of Viet Nam's economy. Mining dropped by 5.62% as crude oil production fell by 12.6% and natural gas decreased by 11.5%.



Source: The General Statistics Office, SBV's calculation

Construction increased by 6.76% thanks to the Government's policy to promote public investment (investment from the state budget increased by 34.5% - the highest in the last 10 years). Due to the impact of the Covid-19 pandemic, the total social investment increased by 5.7% only, of which the private and the FDI sectors all experienced low growth or decline, while the public sector had a high growth rate of 14.5% thanks to disbursement of public investment.

Services were hardest hit by the pandemic, increased by 2.34%. Many areas experienced slower growth, even drop such as wholesale and retail increased by 5.53% -

lowest since 1988, but still among the countries with the highest economic growth rate in the world amidst the complex development of the Covid-19 pandemic globally. On the supply side, the growth of the industry, construction and service sectors slowed down significantly, while the Agro - forestry - fishery sector increased at higher rate than 2019. On the demand side, consumption, investment and import and export growth slow down.

the lowest in 15 the last years, transportation slumped by 1.88%; particularly, accommodation services and food and beverage dropped by 14.68% (the number of international tourists to Viet Nam was 3.8 million, down by 78.7% compared to 2019.) However, some areas such as healthcare, financial and banking activities increased by 10.58% and 6.87%, respectively.

Investment and export were the main contributors to growth while consumption, especially private consumption, slowed significantly

Final consumption increased by 1.06% only - the lowest in the past 16 years, mainly due to a slowdown in private consumption. Private consumption increased by 0.58% due to a decrease in people's income (in 2020, GDP per capita increased by 3.06%, lower than the increase of 6.88% in 2019), while government consumption increased at the rate of 6.16% thanks to increased spending on pandemic prevention and control activities and support for drought and flood control (current expenditure increased by 7.11%, higher than the average rate of 6.3% of the 2016-2019 period.)

Total asset accumulation increased by 4.12% (2019: 7.91%) corresponding to the slow growth of 5.7% of total social investment. While investment by the private and the FDI sectors slowed down due to the heavy impact of the pandemic, with an increase of 3.1% and -1.3% respectively, investment by the public sector increased by 14.5% - the highest in the last 8 years, mainly because the Government promoted solutions to disburse public investment to maintain economic growth.

Net export contributed positively to economic growth (0.27 percentage points). In which, exports of goods and services increased by 4.41% (2019: 6.71%); imports of goods and services increased by 3.92% (2019: 8.35%). Although import and export activities in 2020 slowed down due to the impact of Covid-19, Viet Nam's positive growth was still a bright spot in the context difficulties on global trade.



2.2. Labor, income and productivity

According to the General Statistics Office, in general, in 2020, the labor force aged 15 and over was 54.6 million people, down by 1.2 million compared to 2019, of which: 28.7 million were male employees; accounting for 52.6%; 25.9 million were female employees, accounting for 47.4%. The unemployment rate in working age was estimated to be 2.48% (the highest was in the second quarter: 2.73%), of which urban unemployment rate was 3.88%; the rural one was 1.75% (In 2019, they were 2.17%, 3.11% and 1.69%, respectively). The youth unemployment rate (aged 15-24) in 2020 was estimated to be 7.1%, of which, that in the urban area was 10.63% and in the rural area was 5.45%.

Total labor productivity at current price in 2020 was estimated at VND 117.9 million per worker (equivalent to USD 5,081 per worker, up by USD 290 compared to 2019.) At constant price, labor productivity increased by 5.4% thanks to the improvement of workers' qualifications (the proportion of trained workers with degrees and certificates in 2020 reached 24.1%, higher than the rate of 22.8% in 2019.)

In 2020, total economic output reached VND 6,293,145 billion (equivalent to about USD 271 billion); GDP per capita was VND 64.49 million. The base salary for cadres, civil servants, public employees and armed force servants was kept at VND 1.49 million per month from July 01, 2019 according to Decree No. 38/2019/ND-CP dated May 09, 2019. The minimum wage for employees according to Decree No. 90/2019/ND-CP dated November 15, 2019 increased from January 01, 2020; accordingly, the salary of employees was divided into 04 regions, equivalent to VND 4.42 million per month; VND 3.92 million per month; VND 3.43 million per month and VND 3.07 million per month.

2.3. Inflation

In the first months of 2020, although domestic inflation was put under pressure from high pork price,³

³ Average pork price in 2020 increased by 57.23% compared to that in 2019, making an increase of 12.28% in food price.



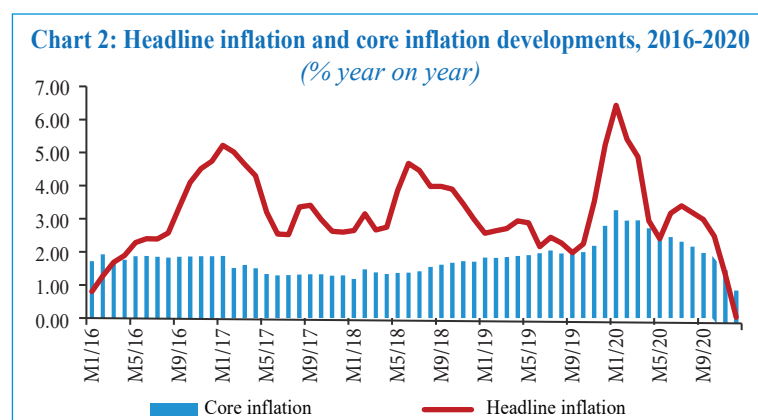
The average CPI in 2020 increased

by 3.23%, the fifth consecutive year that CPI grew at a lower level than the target set by the National Assembly. Core inflation remained stable, averaging 2.31%.

there was a gradual decrease in inflationary pressure thanks to the weakening aggregate demand under the impact of the Covid-19 pandemic in combination with dropping energy prices and the gradual control of African swine fever. The average CPI inflation in 2020 as a whole was 3.23%, in line with the target of below 4% set by the National Assembly. The supporting factors to curb inflation in 2020 were: (1) domestic fuel (petrol, gas, etc.) price sharply decreased in line with world fuel price development. On average, in 2020 as a whole, petrol price was down by 23.03%, resulting in a decrease of 11.2% in the Transport Group, gas price was down 0.95%, and kerosene price was down 31.21%. (2) The domestic commodity market was hit hard by the Covid-19 pandemic, restricting production, business and trade activities, and the dropping demand for tourism, accommodation, food and other services. All other services fell sharply (tourist prices, airfares and train fares decreased by 6.24%, 34.7% and 2.12%, respectively). Final consumption in 2020 increased by 1.06% only, the lowest growth rate since 2005. (3) The Government implemented programs to support affected people and businesses such as: EVN's support to reduce electricity price and bills for customers in the second quarter of 2020, postponement of medical service price raise in 2020. (4) With the determination and close direction of the Government and the close coordination of ministries, agencies and localities in market administration, price control, inflation, disease prevention, the supply and demand in the domestic commodity market was balanced, no great fluctuation of good price occurred. (5) The SBV's reasonable and consistent monetary policy management along with the Government's success in controlling inflation in recent years had helped anchor inflation expectation at a low level.

Despite pressure from high food price and house rent price since end-2019, the average core inflation rate in 2020 as a whole was 2.31%, reflecting that flexible monetary policy management had made positive contribution to reducing pressure on average CPI inflation while giving reasonable support to economic growth. Low and stable inflation helped consolidate

investors' confidence in Viet Nam's macroeconomic environment and attract foreign investment.



Source: The General Statistics Office

2.4. State budget revenues and expenditures

*State budget revenue*⁴ was 0.3% lower than estimate, reaching about 24% of GDP (in 2019: it exceeded estimate by 10.1%, reaching 25.7% of GDP.) The progress of state budget revenue was low mainly due to low revenue from import and export and the slight decrease in revenue from crude oil compared to estimate. Domestic revenue accounted for the highest proportion of total state budget revenue (86%) and exceeded estimate by 2.1% (in 2019: exceeded 8.9% of the estimate). Crude oil revenue was 1.7% lower than estimate (in 2019: 26.1% higher than estimate). Revenue from import and export was 14.7% lower than estimate (in 2019: 13.2% higher than estimate).

State budget expenditure exceeded estimate by 4.7% (in 2019: 1.87% lower than estimate). In which, capital expenditure exceeded estimate by 16.9% (in 2019: 2% lower than estimate); current expenditure exceeded 0.8% of estimate (in 2019: 0.5% lower than estimate).

State budget deficit was higher than estimate in both absolute and relative terms, reaching VND 251,350 billion, equivalent to 3.99% of GDP (in 2019: 2.67% of GDP).

⁴ State budget data for 2020 were estimates, made according to the Government's Report No. 82/BC-CP dated March 22, 2021 submitted to the National Assembly. The 2019 state budget data were the settlement number according to the Decision No. 1592/QĐ-BTC dated August 19, 2021 on the public announcement of the 2019 state budget settlement.



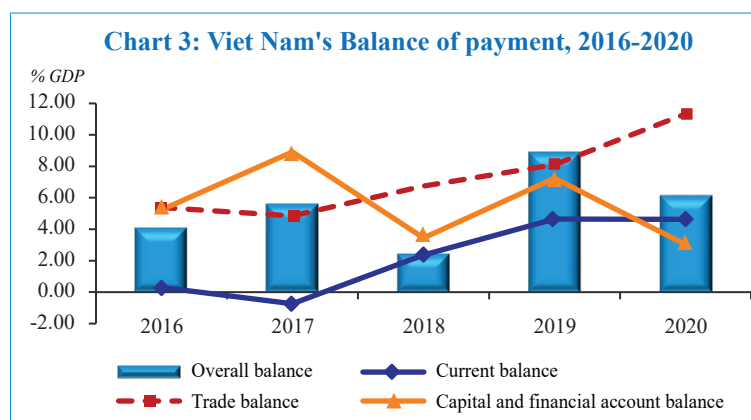
State budget revenue was lower than estimate due to the negative impact of the Covid-19 pandemic while state budget expenditure increased higher than estimate because the Government had to spend on both socio-economic development and supporting the economy to overcome difficulties caused by the Covid-19 pandemic. The progress of revenue was lower than that of expenditure, causing the state budget deficit to increase slightly compared to estimate.

2.5. Balance of payment

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The overall balance of payment in 2020 reached surplus for the fifth consecutive year thanks to the positive growth of the domestic economy, the surplus of trade balance and foreign investment inflows, creating favorable conditions for the increase of the state foreign exchange reserves.

The overall balance of payment reached a surplus of USD 16.63 billion, the fifth consecutive year of surplus, creating an abundant supply of foreign currency in the foreign exchange market, thanks to which, the SBV acquired foreign currencies from CIs to build up the state foreign exchange reserves.



Source: The SBV

Current account reached a surplus of USD 12.53 billion, up by 3% compared to the surplus in 2019 (USD 12.17 billion). The Covid-19 pandemic negatively affected domestic production and business, causing a low increase in imports and a decrease in service revenue (mainly exports). *Balance of goods*⁵ had a surplus of USD 30.7 billion, up by 44.8% compared to the surplus of USD 21.2 billion in 2019. Trade balance⁶ had a record surplus of about USD 20 billion in the condition that export growth momentum was maintained but import fell sharply. *Balance of services* had a record deficit of USD 12.04 billion, mainly due to the decline in service export revenues (service export revenue in 2020 were equal to one third of 2019's revenue, while service import decreased by 14.5% compared to 2019.) *The balance of income* recorded a deficit of USD 15.62 billion, down by 7% compared to the deficit of USD 16.8 billion in 2019. *Current transfers* had a surplus of USD 9.46 billion, up by 2.3% compared to the surplus of USD 9.24 billion in 2019.

⁵ Balance of goods was the difference between export of goods at FOB price and import of goods at FOB price..

⁶ Trade balance was the difference between export of goods at FOB price and import of goods at CIF price.

Capital and financial account had a surplus of USD 8.2 billion, down by 56.7% compared to the surplus of USD 18.97 billion in 2019 mainly due to the adverse impact of the Covid-19 pandemic causing capital inflows to fall. Direct investment and external debt surplus reduced, while indirect investment turned to deficit. *Net FDI* reached USD 15.42 billion, down by 1.6% compared to 2019. *Net foreign indirect investment* had a deficit of USD 1.05 billion, reversing from the surplus of USD 3 billion in 2019. *External debt* reached a surplus of USD 2.36 billion, down by 54.8% compared to the surplus of USD 5.22 billion in 2019, net external debt decreased in all terms. *Money and deposits* had a deficit of USD 8.5 billion, higher than the deficit of USD 5.2 billion in 2019.

2.6. Financial and monetary developments

Monetary developments

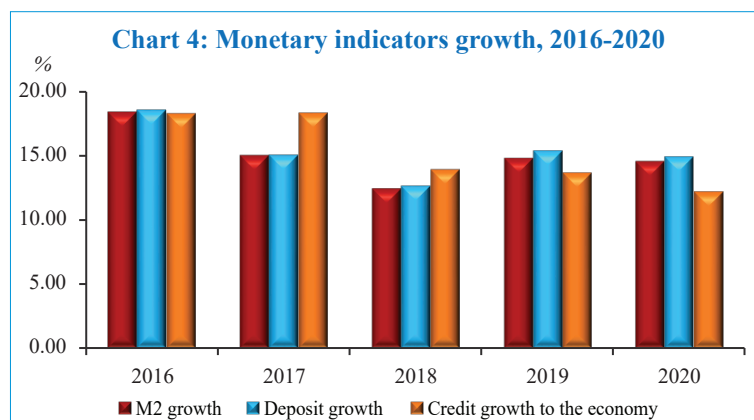
As of end-2020, the economy had been severely affected by the Covid-19 pandemic, the SBV actively provided liquidity for the banking system, thereby helping to remove difficulties for the economy. Accordingly, total liquidity (M2) was up by 14.53% y-o-y compared to that of the end of 2019, equivalent to an increase of 14.78% y-o-y in 2019. The main components contributing to M2 growth were as follows: (1) Net purchase of foreign currency to accumulate foreign exchange reserves, through which VND was supplied to the economy, and at the same time proactively stopping sterilizing the pumped VND on the edge of the Covid-19 outbreak, thereby maintaining available funds for the banking system. (2) The Government attached importance to the disbursement of public investment capital which helps reduced the deposit of the State Treasury at the commercial banks and provide money for the market (in 2020, the disbursement of public investment capital reached 97.46% of the Government's plan, the highest rate in recent years, an increase of 32.4% compared to 2019);⁷ (3) Credit growth dropped in the first half of the

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Total liquidity was reasonably regulated. Capital mobilization increased; while credit growth went hand-in-hand with credit quality improvement and in accordance with the economy's ability to absorb capital and the guideline and direction of monetary policy management, thereby giving support to economic growth.

⁷ The calculated data are based on the Government's Report No. 82/BC-CP dated March 22, 2021 on additional assessment of the results of the implementation of the Socio-Economic Development Plan in 2020.

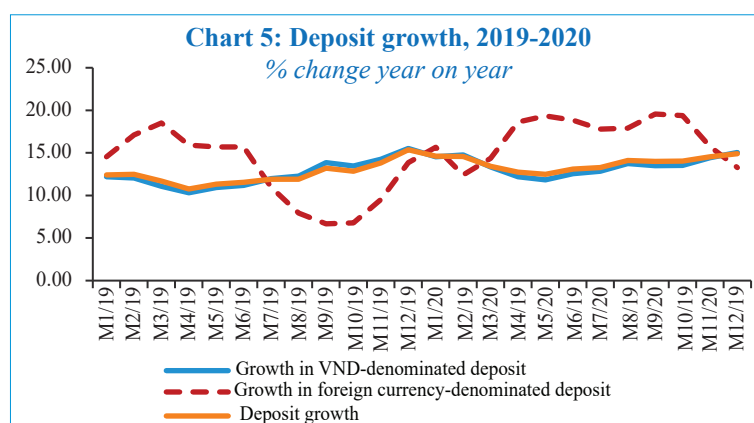
year due to the impact of the pandemic, but recovered quickly in the second half after the pandemic was brought under control (credit growth pace was 12.17% in 2020 and 13.65% in 2019).



Source: The SBV

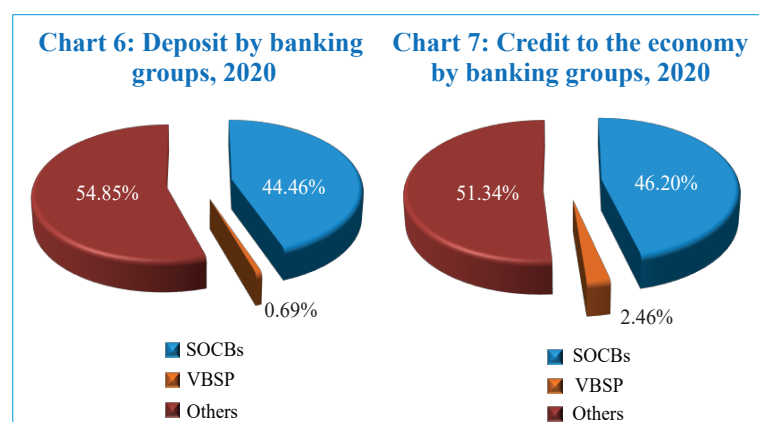
Capital mobilization by the banking system continued to increase, especially in VND

Capital mobilization increased by 14.9% compared to the end of 2019 (2019: 15.37%); of which, VND deposits increased by 15.06% (2019: 15.52%), foreign currency deposits increased by 13.27% (2019: 13.85%). Despite such growth, foreign currency mobilization tended to decelerate continuously between 2018 and 2020. As a result, the dollarization coefficient of the economy (foreign currency deposits/M2) decreased continuously from 8.16% in 2018 to 8.09% in 2019 and 8% in 2020, of which the ratio of foreign currency deposits of the residential sector/M2 decreased from 1.78% in 2018 to 1.47% in 2019 and 1.23% in 2020.



Source: The SBV

Capital mobilization by the State-owned commercial banks and the Social Policy Bank continued to decrease slightly while other CIs experienced increase: capital mobilization of State-owned commercial banks (excluding the VBSP) accounted for 44.46% of the system (2019: 46.29%); the VBSP accounted for 0.69% (2019: 0.73%); other CIs⁸ made up 54.85% (2019: 52.98%).



Source: The SBV

Credit growth went hand in hand with credit quality improvement, in line with the policy of renovating economic growth model, contributing to controlling inflation and supporting economic growth.

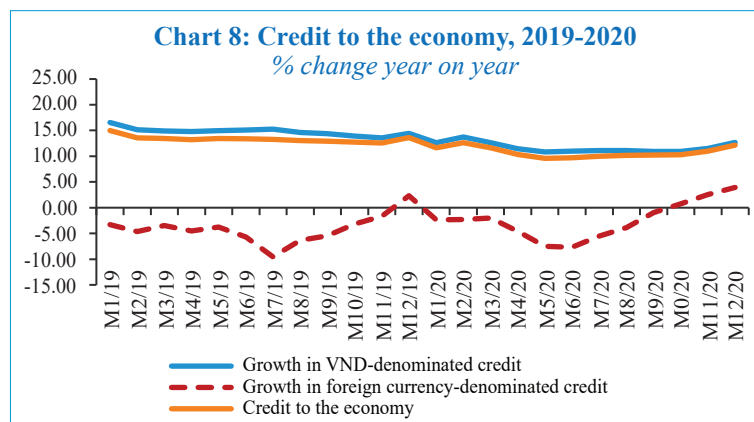
Credit to the economy⁹ increased by 12.17% compared to end-2019 (2019: 13.65%); in which, VND credit increased by 12.68%, foreign currency credit increased by 3.94%. Foreign currency credit was controlled in line with the direction of limiting dollarization by the Government; foreign currency credit/M2 rate decreased from 18.09% in 2011 to 4.55% in 2019 and 4.13% in 2020. Credit was allocated by CIs to the production and business sectors that are the driving forces of economic growth, thereby contributing to controlling inflation and supporting economic growth in the context of the Covid-19 pandemic.

In terms of structure, credit by other CIs tended to slightly increase while that by State-owned commercial

⁸ Including joint stock commercial banks, 100% foreign-owned banks, joint venture banks, foreign bank branches, non-banking CIs (financial companies, finance leasing companies), people's credit funds.

⁹ Credit outstandings does not include credit extension under trust contracts and VAMC's special bond balance.

banks and VBSP decreased: credit outstanding of State-owned commercial banks (excluding the VBSP) accounted for 46.2% of system-wide outstanding (2019: 47.4%); the VBSP accounted for 2.46% (2019: 2.52%); and other CIs made up 51.34% (2019: 50.07%).



Source: The SBV

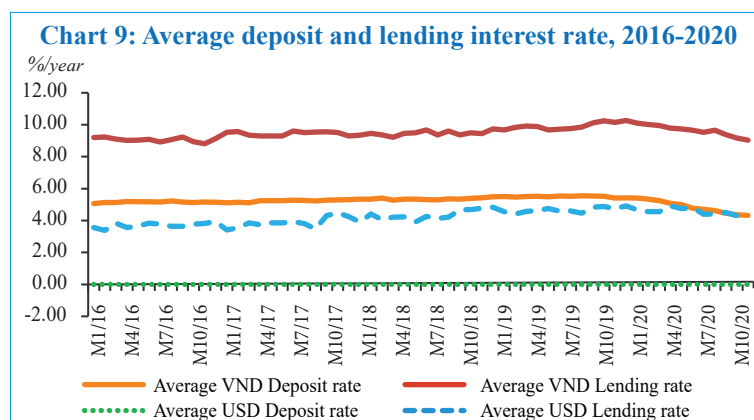
Interest rate developments

VND interest rate



Market interest rates tended to decrease in line with the SBV's management orientation to support the economy.

The deposit and lending interest rates of CIs tended to decrease, in line with the SBV's management orientation to support the economy to cope with the impact of the pandemic. As of end-2020, VND deposit interest rates were at 0.1-0.2% p.a. for demand deposits and terms of less than 1 month; 3.2-3.9% p.a. for deposits with term from 1 to less than 6 months; 4.0-6.0% p.a. for deposits with term from 6 to under 12 months; term over 12 months about 5.6-6.8% p.a. The average lending interest rate decreased by 1% p.a. compared to end-2019; the maximum short-term lending interest rate in VND for some industries and sectors was at 4.5% p.a.



Source: The SBV



USD interest rate

The USD interest rate moved in line with the Government's policy and the SBV's management orientation of limiting dollarization. As of end-2020, the USD deposit interest rate of CIs was 0% p.a. according to SBV's regulations; USD lending interest rates ranged between 3.0-6.0% p.a.

Interbank money market

The volume of the interbank market continued to expand, especially lending and deposit in VND

Total turnover of VND deposit and lending in interbank market was VND 17,292 trillion, an increase of 19.1% compared to 2019. Total turnover of USD deposit and lending in interbank market, converted to VND, reached VND 7,017 trillion, an increase of 4.3% compared to 2019. Turnover of term securities trading transaction between CIs and foreign bank branches, in correlation to deposit and lending, was smaller, reached VND 750 trillion in 2020.

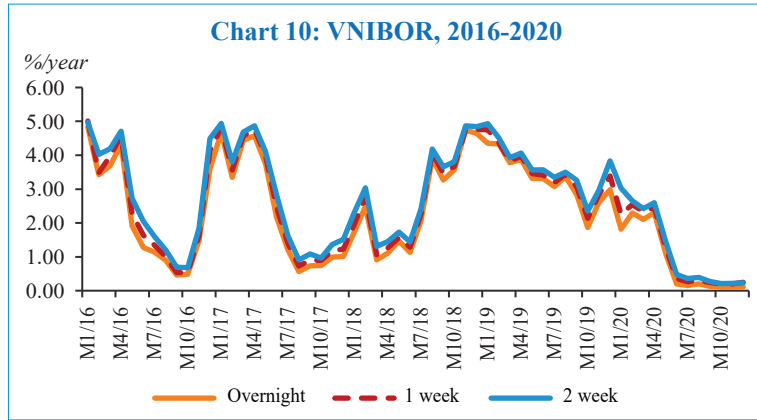
In terms of maturities, most interbank transactions in 2020 were at below one-month maturities, mostly overnight and one-week. Turnover of VND overnight transactions in 2020 reached VND 11,585 trillion and of USD overnight transactions, converted to VND was VND 5,212 trillion, accounted for 67% and 74.3%, respectively in total yearly turnover.

Interbank interest rate decreased

Interbank interest rates tended to decrease, especially from the second half of the year when overnight and one-week interest rates mostly at low levels in recent years, due to an ample liquidity in the context of the banking system's good deposit growth and the SBV's net purchase of foreign currency. During 2020, overnight, one-week and two-week interest rates were kept at low levels, at 0.88% p.a, 1.06% p.a and 1.19% p.a on average, respectively.



Interbank interest rates decreased, the size of the interbank market continued to expand.

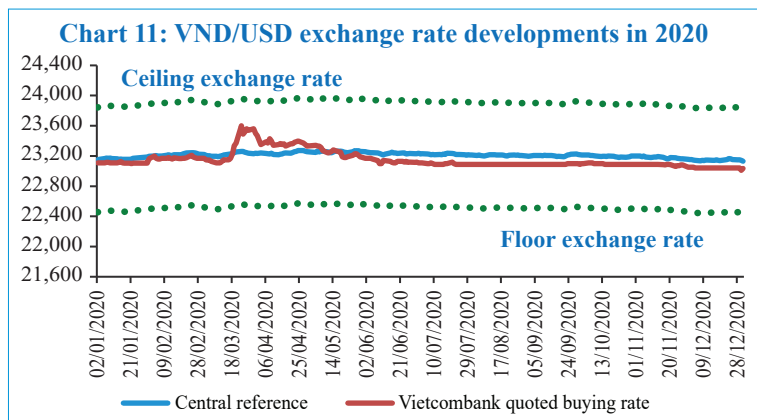


Source: The SBV

Foreign exchange market developments

In some periods, it was under pressure due to fluctuations in the international market. In general, the domestic foreign exchange market was stable thanks to solid macroeconomic foundation, proactive and flexible monetary policy management by the SBV.

The foreign exchange market was relatively stable, the market liquidity was smooth, the buying and selling foreign exchange were fully and promptly met, and the SBV bought a large amount of foreign currency to accumulate to the State foreign exchange reserves. After being stable for the first 2 months of the year, from March 16, 2020, the exchange rate increased rapidly due to the negative impacts of the Covid-19 pandemic on the global market. However, thanks to the SBV’s active and flexible solutions which helps to intervene and stabilize market sentiments, the interbank market exchange rate decreased after that. By the end of 2020, the central exchange rate decreased by 0.1% compared to the end of 2019, the VND/USD exchange rate on the interbank market decreased by 0.35%.



Source: The SBV

The foreign exchange market was maintained in a stable manner thanks to solid domestic macroeconomic

foundation, favorable foreign currency supply and demand; the central exchange rate mechanism continued to be effective in absorbing external shocks and limiting speculation and hoarding of foreign currencies.

Gold price developments

At the beginning of 2020, the domestic gold price traded at VND 42.7 million per tael, which gradually increased and surged at some points of time according to the international gold price, reaching a record level of VND 62.2 million per tael on August 07, 2020, equivalent to an increase of 45.7% compared to the beginning of the year. From mid-August 2020, the domestic gold price decreased compared to its previous record increase and reached the lowest level of VND 53.75 million per tael on November 30, 2020. As of end-2020, the domestic gold price traded at VND 56.10 million per tael, an increase of about 31.3% compared to that at the beginning of 2019.

Stock market

The Covid-19 pandemic created negative impacts on the stock market in the first quarter of 2020, the VN-Index hit the bottom of 662.26 points on March 30 (decreased by 31.1% compared to the end of 2019). Subsequently, the market recovered for the rest of the year when Viet Nam implemented effectively dual goals of “controlling the pandemic and ensuring economic growth”. Market capitalization of the 3 stock exchanges (HOSE, HNX, UPCOM) reached over VND 5.3 quadrillion, equivalent to 87.7% of GDP (2019: 72.6% of GDP). In 2020, the average trading value per session on HOSE and HNX reached VND 7,400 and 720 billion respectively, increased by 66.7% and 77.9% respectively compared to 2019. In 2020, foreign investors’ net purchase was about VND 19.7 trillion compared to VND 7.4 trillion in 2019.

2.7. Credit institutions’ activities

As of end-2020, the CI system in Viet Nam included 04 commercial banks with State ownership of over 50%; 03 compulsory acquired banks; 01 Social Policy Bank; 01 Development Bank; 28 commercial banks; 02 joint venture banks; 09 100% foreign-owned banks; 50 foreign

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Domestic gold price increased in line with international gold price movements.

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The stock market was adjusted in the first quarter of 2020, and then rose again for the rest of the year.

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Financial and governance capacity, prudential

ratios, and risk management of CIs continued to be improved in accordance with domestic regulations and international practices. Liquidity continued to be protected, and credit quality was improved.

bank branches (01 branch is in the process to shut down its operation); 26 finance and leasing companies; 01 Cooperative Bank; 1,181 PCFs and 04 microfinance institutions.

Table 1: CIs system in Viet Nam as of December 31, 2020

No.	Type	2019	2020
1	State-owned commercial banks	4	4
2	Compulsory acquired banks	3	3
3	Social Policy Bank	1	1
4	Viet Nam Development Bank	1	1
5	Joint-stock commercial bank	28	28
6	Joint-ventured bank	2	2
7	100% foreign-owned bank	9	9
8	Foreign bank branch	49	50
9	Finance, leasing companies	26	26
10	Cooperative Bank	1	1
11	People's credit funds	1,182	1,181
12	Microfinance institutions	4	4

Source: The SBV

CIs' financial capacity continued to be improved, and their size continued to be expanded

In 2020, the CI system continued to focus on strengthening financial capacity, asset quality and resolving NPLs; system liquidity remained stable; compliance with regulation, quality of governance and management were improved significantly; cross-ownership, cross-investment issues in the system were effectively fixed, the status of manipulation and domination of banks by major shareholders/groups of shareholders was controlled, and direct cross-ownership of banks was fully resolved. Credit extension beyond the limit was basically handled; business performances of CIs were improved. As of end-2020, total assets and total chartered capital of the banking system reached VND 14.02 quadrillion and VND 660.6 trillion, an increase of 11.45% and 7.89%, respectively compared to the end of 2019.

Table 2: Basic indicators

Types of CIs	Total equity		Chartered capital		Minimum capital adequacy ratio (%)	Short-term deposit to medium- and long-term lending (%)
	VND billion	± %	VND billion	± %		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
SOCBs	5,791,840	6.47	155,271	0.08	29.88	81.97
Social Policy Bank	235,934	10.63	18,271	5.68		
Joint-stock commercial banks	6,053,176	16.13	317,133	11.39	28.18	70.52
Joint-ventured, foreign banks	1,522,674	13.14	131,285	8.71		36.28
Finance, leasing companies	229,048	11.59	30,556	14.71	33.52	
Cooperative Bank	43,679	22.29	3,030	0.04	17.78	49.74
People's credit fund	143,201	13.20	5,055	7.25		
Total	14,019,553	11.45	660,601	7.89	25.79	71.93

Source: The SBV

Note:

- Data was made based on December 2020 accounting reports and statistical reports of CIs, foreign bank branches (excluding micro-finance institutions);
- State-owned commercial banks include: Viet Nam Bank for Agriculture and Rural Development, Viet Nam Joint Stock Commercial Bank for Industry and Trade, Joint Stock Commercial Bank for Foreign Trade of Viet Nam, Joint Stock Commercial Bank for Investment and Development of Viet Nam, Viet Nam Construction Joint Stock Commercial Bank, Global Petroleum One-Member Commercial Bank Limited, Ocean One-Member Commercial Bank Limited;
- Data in columns (6), (7) do not include Social Policy Bank (not subject to report) and PCFs;
- Total assets indicator is calculated according to Circular No. 49/2014/TT-NHNN;
- Ratio of short-term deposit to medium-and long-term lending of joint-venture and foreign banks is not valid because they did not use short-term capital for medium and long-term lending.
- The ratio of short-term deposit to medium-and long-term lending of joint-venture and foreign banks is defined according to prudential indicators of banking and foreign bank branches operations (Circular No. 22/2019/TT-NHNN).

Table 3: CAR of CIs and foreign bank branches

No.	Type of CIs	Regulatory Capital		Minimum capital adequacy ratio (%)
		VND billion	± %	
(1)	(2)	(3)	(4)	(5)
1	Group of banks applying Circular No. 41/2016/TT-NHNN	872,784.1		11.41
1.1	SOCBs	211,293.2		8.94
1.2	Joint-stock commercial banks	458,289.4		10.87
1.3	Foreign banks' branches	203,165.8		18.99
2	Group of banks applying Circular No. 22/2019/TT-NHNN	282,860.55		10.41
2.1	SOCBs	212,203.69		10.42
2.2	Joint-stock commercial banks	59,261.76		9.37
2.3	Foreign bank branches	7,248.38		27.00
2.4	Cooperative Bank	4,146.72		18.82
3.	Group of non-banks applying Circular No. 36/2014/TT-NHNN	44,187.5	21.49	19.03
3.1	Finance, leasing companies	44,187.5	21.49	19.03

Source: The SBV

Note:

- The above data are sourced from Balance Sheet Reports and Statistic Reports of CIs and foreign banks' branches in December 2020 (excluding microfinance institutions);
- State-owned commercial banks include: Viet Nam Bank for Agriculture and Rural Development, Viet Nam Joint Stock Commercial Bank for Industry and Trade, Joint Stock Commercial Bank for Foreign Trade of Viet Nam, Joint Stock Commercial Bank for Investment and Development of Viet Nam, Viet Nam Construction Joint Stock Commercial Bank, Global Petroleum One-Member Commercial Bank Limited, Ocean One-Member Commercial Bank Limited;
- Regulatory capital and CAR have excluded those banks with negative regulatory capital.

By the end of 2020, ROA and ROE of the whole system was 0.96% and 12.11%, respectively (compared to 1.01% and 12.95% respectively in 2019.) The CAR ratio of the group of banks applying Circular No. 41/2016/TT-NHNN was 11.41%; group of banks applying Circular No. 22/2019/TT-NHNN was 10.41%; and group of banks applying Circular No.

36/2014/TT-NHNN was 19.03%. The average liquidity reserve ratio reached 16.62%. Most CIs satisfied the ratios and safety limits as prescribed by law.¹⁰

Table 4: CIs' ratios

	<i>Unit: %</i>	
	ROA	ROE
SOCBs	0.85	15.12
Social Policy Bank	0.36	1.89
Joint-stock commercial banks	1.07	13.69
Joint-ventured, foreign banks	0.81	5.95
Finance, leasing companies	2.68	13.37
Cooperative Bank	0.36	3.93
People's credit funds	0.82	12.58
Total	0.96	12.11

Source: The SBV

Note:

- The above data are sourced from Financial Statements in December 2020;
- Excluding microfinance institutions;
- State-owned commercial banks include: Viet Nam Bank for Agriculture and Rural Development, Viet Nam Joint Stock Commercial Bank for Industry and Trade, Joint Stock Commercial Bank for Foreign Trade of Viet Nam, Joint Stock Commercial Bank for Investment and Development of Viet Nam, Viet Nam Construction Joint Stock Commercial Bank, Global Petroleum One-Member Commercial Bank Limited, Ocean One-Member Commercial Bank Limited;
- ROE and ROA has eliminated banks with negative Equity.

Sufficient liquidity for the system and improved credit quality

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

Credit risk: In the context of the Covid-19 pandemic that posing negative impacts on the domestic economy and lowering financial capacity and solvency of enterprises, the SBV has directed CIs to synchronously implement control measures and restrict new NPLs in

¹⁰ Except for some weak CIs that are in the process of restructuring and CIs that are in the process of transitioning to new limits and prudential ratios as prescribed by law.

order to improve credit quality and maintain the on-balance sheet NPL ratio of the CI system at a safe level. By the end of December 2020, the on-balance sheet NPL of the CI system continued to be controlled and maintained at less than 3% (this ratio as of December 31, 2020 was 1.69%). The ratio of off-balance sheet NPL, unresolved debt sold to VAMC and potential NPL of the CI system by the end of December 2020 was at 3.81%, down from 10.08% at the end of 2016, 7.36% at the end of 2017, 5.85% at the end of 2018 and 4.43% at the end of 2019.

Part II - State Bank of Viet Nam's management

In implementing the Government's direction in Resolution No. 01/NQ-CP dated January 01, 2020, the SBV issued Directive No. 01/CT-NHNN dated January 03, 2020 setting goals and tasks for the whole banking sector in 2020: *“Managing monetary policy proactively, flexibly, cautiously, synchronously coordinating with fiscal policy and other macroeconomic policies in order to control average inflation below 4% and maintain stability macroeconomic policy, supporting targeted economic growth, stabilizing monetary and foreign exchange markets. In 2020, total liquidity was set to increase by about 13%; credit increased by about 14%, with adjustments in line with developments and actual situations. Deploying monetary and credit solutions under the motto of credit expansion in tandem with safety and efficiency, ensuring capital supply for the economy”*. At the same time, in the face of complicated and unpredictable developments of the Covid-19 pandemic negatively affecting the domestic economy, following the direction of the Government, the Prime Minister, the SBV issued Directive No. 02/CT-NHNN dated March 31, 2020 thoroughly grasped the spirit of *“fighting the pandemic like fighting the enemy”* with greater determination and uniformity from the central to local levels, from the SBV to CIs to effectively deploy solutions measures to prevent and control the pandemic and overcome difficulties caused by the pandemic's impact on the economy.

1. Monetary policy management

Reasonable monetary policy managing, ensuring system liquidity, stabilizing the monetary market, proactively responding to the Covid-19 pandemic

Following the Government's direction, monetary market movements and available capital situation of CIs, the SBV actively and flexibly conducted OMOs actively, closely coordinated with fiscal policy to managing reasonable monetary policy, ensuring system liquidity, stabilizing the monetary market, proactively responding to the Covid-19 pandemic. Accordingly, in the context



Monetary policy was managed in proactively, flexible and prudent manner

to control inflation, maintaining economic stability, effectively supporting the economy to cope with adverse effects of the Covid-19 pandemic; while administering system liquidity, maintaining a stable monetary market.

of excess available capital in the system and inflationary pressure in the first months of 2020, the SBV offered to sell 3-month SBV bills with appropriate volume and interest rates in order to actively control the currency, contributing to controlling inflation, maintaining the system's available capital at a reasonable level. From mid-March 2020, in order to actively respond to the negative developments of the Covid-19 pandemic, the SBV temporarily suspended the issuance of SBV bills; at the same time, make an offer to buy valuable papers through OMOs with suitable volume, term and interest rate (mainly at 7-day term, interest rate gradually decreased from 4% to 3.5%, 3% and 2.5% p.a., volume bidding method, volume and interest rate announcement,) thereby supporting liquidity for CIs, stabilizing the monetary market, and contributing to economic growth.

Cutting policy interest rates

On the basis of assessing the macroeconomic situation, domestic and foreign monetary markets, and implementation of the Government's policy and direction, the SBV reduced interest rates three times¹¹ in order to support business activities and the economy in the facing negative impact of the Covid-19 pandemic. Accordingly, policy interest rates reduced by 1.5-2.0% p.a. to be ready to give liquidity support and create conditions for CIs to access capital from the SBV at a lower cost; maximum interest rate for deposits in VND with terms of less than 6 months was cut by 0.6-1.0% p.a., and the maximum short-term VND lending rate for some economic fields was cut by 1.5% p.a. to help reduce borrowing costs on businesses and people.

¹¹ Specifically: (1) On March 17, 2020, the SBV reduced the operating interest rate by 0.5-1% p.a.; decrease 0.25-0.3% p.a. the ceiling deposit interest rate in VND for terms of less than 6 months and reduce by 0.5% p.a. the ceiling on short-term lending rates in VND for some industries and fields. (2) On May 13, 2020, the SBV continued to reduce the operating interest rates by 0.5% p.a.; reduce 0.3-0.5% p.a. the ceiling deposit interest rate in VND for terms of less than 6 months and reduce by 0.5% p.a. in the ceiling interest rate for short-term loans in VND for some industries and fields. (3) On October 01, 2020, the SBV continued to reduce synchronously by 0.5% p.a. the operating interest rates, reduce by 0.25% p.a. the ceiling deposit interest rates in VND from 1 month to less than 6 months and reducing the ceiling interest rate for short-term loans in VND by 0.5% for a number of industries and fields.

Keeping VND and foreign currency reserve requirement ratios stable

The reserve requirement ratio for VND deposits was maintained at 3% for demand deposits and terms of less than 12 months, 1% for deposits with terms of 12 months and above. For deposits in foreign currencies, the reserve requirement ratio was maintained at 8% for demand deposits and terms of less than 12 months, 6% for deposits with terms of 12 months or more and 1% for deposits of CIs abroad.

Maintaining refinance in line with the objectives of monetary policy management and the Government's guidelines

The refinancing instrument was operated in accordance with the objectives of monetary policy and the Government's policy. The SBV continued to refinance CIs to support programs approved by the Government. At the same time, in the context of the Covid-19 pandemic affecting many socio-economic aspects, the SBV disbursed and refinanced the VBSP to lend employers to pay the salary stop-working employees according to Decision No. Decision No. 15/2020/QD-TTg dated April 24, 2020, as amended and supplemented by Decision No. 32/2020/QD-TTg dated October 19, 2020 of the Prime Minister and Resolution No. 42/NQ-CP dated April 9, 2020, as amended and supplemented by Resolution No. 154/NQ-CP dated October 19, 2020 of the Government on measures to support people facing difficulties due to the Covid-19 pandemic.

Managing the exchange rate flexibly and appropriately, keeping the foreign exchange market stable

In 2020, the SBV managed the exchange rate and foreign currency market in accordance with macroeconomic developments, inflation, market movements and monetary policy objectives, specifically: (1) Continuing to announce the central exchange rate daily based on reference to domestic and foreign market movements, macroeconomic and monetary balances and monetary policy objectives; (2) During periods of abundant foreign currency supply, the SBV actively and

flexibly purchased foreign currency from CIs to help convert into VND to support economic development and ensure smooth operation of the foreign currency market; at the same time, consolidating the SBV's foreign reserves, strengthening national financial and monetary security, improving national credit rating, contributing to macroeconomic stability in the context of the Covid-19 pandemic's negative impact on the economy; (3) During the period when VND was under pressure to depreciate due to the complicated situation of the Covid-19 pandemic (March 2020), the SBV adjusted the foreign currency selling rate and actively communicated to stabilize the foreign market. As a result, the exchange rate quickly stabilized without the SBV having to sell foreign currencies to intervene in the market; (4) Synchronous and flexible combination of other solutions and tools (liquidity regulation, VND interest rate...).

Flexibly and safely managing credit growth, improving efficiency and credit quality; promptly and drastically directing and deploying solutions to support customers to overcome difficulties affected by the Covid-19 pandemic and natural disasters and climate change

On the basis of the economic growth target of about 6.8% in 2020 and inflation below 4% set by the National Assembly and the Government, the SBV set a 2020-oriented credit growth target of about 14% with adjustment in accordance with developments and actual situations. Accordingly, the SBV implemented measures to control the size and credit growth according to the 2020 orientation target in association with improving credit quality, the Government's policy of renewing the economic growth model and controlling inflation, directing credit to production and business fields; strictly controlling credit to potentially risky areas; strengthening risk control for consumer credit and personal loans; and continuing to implement solutions to remove difficulties, improve lending processes and procedures, create favorable conditions for businesses and people to access bank credit, and contribute to repel black credit.

In addition, in order to promptly remove difficulties for the economy in the context of being negatively

affected by the Covid-19 pandemic and the effects of natural disasters and climate change, in parallel with the orientation of reducing interest rates for the economy, the SBV promptly issued Circular No. 01/2020/TT-NHNN dated March 13, 2020, creating a legal corridor, a breakthrough mechanism for CIs to remove difficulties in lending to customers (restructuring principal and interest without changing loan categories, imposing interest and penalties; exempting and reducing interest and fees); issued Directive No. 02/CT-NHNN dated March 31, 2020 directing CIs to adjust business plans and appropriate profit targets to share difficulties and support customers; At the same time, continuously organize conferences to connect banks - businesses across the country, conduct field surveys, receive and promptly solve difficulties and problems of people and businesses.

2. Foreign exchange management

Strengthening legal framework for foreign exchange and gold market management

In 2020, the SBV issued 03 circulars to improve the legal framework on foreign exchange activities and renewed the legal regulation document system in line with actual conditions, created a complete and synchronous legal basis for organizations and individuals to carry out foreign exchange activities in accordance with the law, ensuring the right to access economic benefits from these activities for organizations and individuals.

In 2020, although there was a time when the domestic gold price increased according to the international gold price, the domestic gold market was stable, the attractiveness of gold bars continued to decline, there were no “gold rushes” similar to the period before Decree No. 24/2012/ND-CP was issued. The SBV continued to use foreign currencies to import gold to intervene in the market. The state of economic goldization continued to be limited; part of the capital in gold was converted into money for socio-economic development.

Management of current account transactions

The management of current account transactions continued to be carried out in the direction of liberalization

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Continuing to improve the legal framework on the management of foreign exchange and gold market; the management of current transactions, capital transactions, management of reserves of the State Bank, management of the gold market continued to be effectively implemented.

in line with international commitments, and the SBV continued to implement policies to limit the use of foreign currencies in the country in order to implement the policy of limiting and moving towards ending the dollarization situation, increasing people's confidence in VND. The policy of attracting remittances continued to be open, in line with the trend of integration to encourage and facilitate the flow of remittances, contributing to domestic economic development, offsetting Viet Nam's balance of payments, increasing the SBV. In addition, the SBV continued to implement solutions to attract foreign currency sources into the open banking system through foreign currency exchange management policies, remittance policies, cash foreign currency purchase and sale policies of allowed CIs with individuals, regulations on penance, border payment management policy...

Management of capital transactions

Foreign exchange management for foreign investment was carried out in the direction of facilitating the attraction of foreign investment inflows into Viet Nam, contributing to supporting economic growth and improving the international balance of payments; managing direct/indirect investment inflows abroad closely and cautiously while supporting domestic investors to take advantage of investment opportunities abroad, but still ensuring close monitoring of outflows, prioritizing the concentration of domestic economic development resources.

In addition, the SBV focused on improving the management of foreign lending and borrowing operation of enterprises: **(1)** For non-sovereign guaranteed borrowing operation of enterprises, the SBV advocates to promote reform of administrative procedures, implement amendments to relevant the legal regulation documents to create conditions for enterprises to access foreign capital sources, at the same time, ensuring the management and supervision of capital flows of the SBV. **(2)** For the development of regulations on overseas lending activities of economic organizations, the SBV has developed a draft Decision of the Prime Minister regulating the process of appraising and approving loans abroad, guaranteeing for non-residents of economic organizations which was not

associated with offshore investment projects, seeking for comment of ministries, agencies for Prime Minister to approve in upcoming time.

Management of state foreign exchange reserve

The SBV continued to realize the goal of consolidating state foreign exchange reserve through synchronous and flexible operation of monetary policy tools; implementing solutions to stabilize the exchange rate and foreign currency market in accordance with the objectives of macroeconomic and economic administration. As a result, the SBV acquired additional foreign currency; accumulate the state foreign exchange reserve to a record level.

3. Banking inspection and supervision

Inspection and supervision

The inspection work continued to be carried out in the direction of legal inspection, closely linked to the supervision, step by step combining and applying the inspection method on the basis of risks, towards preventing and early warning of potentially arising risks. In 2020, the SBV conducted 1,165 inspections and inspections; provided 7,965 recommendations and requested CIs to overcome existing and infringing; issued 293 decisions on sanctioning administrative violations against CIs and enterprises and individuals with a total fine amount of VND 23 billion.

The supervision continued to focus on assessing and warning risks in the operation of CIs, strengthening supervision of potentially risky areas. At the same time, the SBV focuses on improving the effectiveness and efficiency of state management in the banking sector, creating conditions for CIs to develop business activities in line with the trend of applying digital technology in banking operation; as a result, the SBV regularly reviews the business activities of CIs such as lending, discounting, guaranteeing, granting credit, providing payment services, financial leasing, etc., especially online activities which applies digital technology to timely assess the impact on the system safety of CIs, providing appropriate solutions and policies.



The SBV continued to implement drastically and synchronously solutions on banking inspection and supervision; solutions on restructuring the credit system associated with bad debt settlement; to promote the implementation and ensure the safety and efficiency of operations in accordance with Basel II standards.

On the basis of the results of supervision, the SBV has issued official documents to direct and correct CIs and branches of foreign banks on issues related to business activities/insurance agents; complying with regulations on safety limits and ratios; to promote the resolution of NPLs in accordance with Resolution No. 42/2017/QH14 of the National Assembly; granting credit for investment and trading in stocks and real estate; adjustment of consumer lending activities of financial companies; ensuring safety in payment service provision; warnings about peer-to-peer lending activities, websites showing signs of violating the law on gambling, online betting,...

Licensing management

In 2020, in addition to receiving and processing licenses for establishing new CIs and foreign bank branches, licensing management was related to network development, scope of operations, personnel, and chartered capital for these organizations are implemented by the SBV in accordance with the law, ensuring the stability of the system of CIs. Accordingly, the SBV has approved for CIs to establish more branches and transaction offices; increase charter capital; change senior personnel; change the location of the head office; purchase, sale and transfer of equity; modify and supplement the license; revoke the license of 1 CI, approve the termination of liquidation and approve the dissolution of 2 foreign bank branches.

Anti-monetary laundering

As the standing body of the Steering Committee for Anti-Monetary Laundering and the Steering Committee for Anti-Terrorism of the Banking Sector, the SBV cooperates with ministries and sectors to actively implement tasks for APG multilateral assessment of Viet Nam's AML/CFT mechanism. In which, focusing on explaining and responding to APG's assessments and recommendations on AML/CFT in Viet Nam; at the same time, conduct research, propose amendments and supplements to the Law on Anti-Monetary Laundering to strengthen the role of AML in the new situation.

In addition, the SBV also focused on collecting, processing and transferring suspicious transaction information and providing it to the competent

authorities;¹² at the same time, strengthen international cooperation, build an information technology system to serve the prevention and combat of monetary laundering, contribute to the prevention and fight against crime, protect the national monetary and financial security and the safety of the banking system.

Implementation status of the 2016-2020 Master plan on restructuring the CI system associated with NPL resolution (Master plan 1058) and implementation, ensuring safety and efficiency of operations in accordance with Basel II standards

Continue to accelerate the restructuring the CI system in tandem with NPL resolution

Sticking to the goals and orientations set out in Master plan 1058 and Resolution No. 42/2017/QH14 of the National Assembly, the SBV continued to direct CIs to focus on implementing, strengthening and closely supervising the approved plan of restructuring and monitoring the results of NPL resolution as well as credit quality control to promptly warn, correct and assist CIs to remove arising difficulties and problems. In addition, the SBV also drastically implemented solutions to strengthen the PCF system, dealt with weak PCFs and continued to improve regulations on microfinance institutions to improve management efficiency, creating conditions for microfinance programs and projects to operate in a healthy and efficient manner. As a result, the operation of the CI system continued to be maintained safely and stably. The scale of the CI system continued to grow sustainably, the financial capacity of the CIs was consolidated, the charter capital increased gradually over the years, the NPL ratio on the balance sheet was controlled below 2%, the CIs raised awareness and pay more attention in risk management, enhance transparency of operational information in accordance with the law.

¹² In 2020, the SBV received 1,811 suspicious transaction reports and handled 1,404 reports; transfer information to the competent authorities 94 cases related to 886 reports; reviewing and providing information on 194/194 documents/cases related to the accused, defendants or subjects in cases at the request of competent domestic agencies; processed 12/13 documents requesting information from foreign Financial Intelligence Units (FIU).

Implement, ensure safety and efficiency of operations according to Basel II international standards

On the basis of Circular No. 41/2016/TT-NHNN dated December 30, 2016 and Circular No. 13/2018/TT-NHNN dated May 18, 2018, most CIs have applied the prudential capital ratio according to Circular No. 41/2016/TT-NHNN (Basel II capital standards according to standardized method), while some CIs proposed to apply the capital adequacy ratio according to Circular No. 22/2019/TT-NHNN.¹³ As of December 31, 2020, there had been 78 over 96 commercial banks and foreign bank branches that applied capital adequacy regulations according to Circular No. 41/2016/TT-NHNN. In particular, to support the economy to overcome difficulties caused by the impact of the Covid-19 pandemic, the SBV issued Circular No. 08/2020/TT-NHNN dated August 14, 2020, amending and supplementing Circular No. 22/ 2019/TT-NHNN stipulates safety limits and ratios in operations of banks and foreign bank branches; accordingly, one year later, the roadmap for applying the maximum rate of short-term capital was used for medium and long-term loans, creating conditions for CIs to continue lending medium and long-term to the economy.

4. Macroprudential supervision over the financial system

The SBV continued to implement the Regulation on Systemic Risk Monitoring (issued under Decision No. 2563/QĐ-NHNN dated December 31, 2016.) In 2020, the SBV continued to update the database for financial stability analysis and assessment; conduct survey on financial system risk; improve the process of financial system risk monitoring; research financial sector cycle and its determinants; run stress-testing for the banking system' resilience to external shock, especially in the Covid-19 context; develop a set of indicators to assess safety and stability of financial and money market and

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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.

¹³ Circular No. 22/2019/TT-NHNN dated November 15, 2019 laid a legal basis for a number of CIs facing financial difficulties to restructure the asset portfolio that had not met the capital adequacy ratio according to the regulations. Circular No. 41/2016/TT-NHNN from January 01, 2020 to develop a suitable roadmap (no more than 03 years) to implement Circular No. 41/2016/TT-NHNN.

handbook to standardize the analysis and assessment of financial stability; monitor, assess the current status of financial supervision technology (SupTech) and research the technology for compliance of CIs (RegTech).

5. Legislation and law enforcement

Legislation

In 2020, the SBV continued to focus on improving the institutional framework for banking operations. Accordingly, the SBV developed and issued 26 circulars providing legal foundation for: **(1)** Implementing policies to support customers affected by Covid-19; **(2)** Improving regulations on establishment, organization and operation of CIs; **(3)** Continuing to improve regulations on payment and settlement to promote non-cash payment; **(4)** Amending and supplementing regulations in the field of vault processes, accounting, foreign exchanges management, etc. so that they are better suited to the actual operations at the SBV;

The issuance of legal regulation documents in 2020 has contributed to the improvement of legal framework, mechanisms, and policies in line with international standards and practices, better strengthening the state management in monetary and banking sector, laying an important legal foundation for the SBV to manage monetary policy, ensure safety, and accelerate the process of restructuring and improving the soundness 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: **(1)** Communicating newly issued legal regulations throughout the banking system; **(2)** Reviewing legal regulation documents, then announcing 53 whose validity completely terminated and of other 72 whose validity partially terminated; effective implementation of Decision No. 209/QD-TTg dated February 07, 2020 of the Prime Minister with regards to the Plan for ministries and ministerial level agencies to review legal documents in their state management domains; **(3)** Checking and handling legal regulation documents (39 were self-checked, 28 sent



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

by ministries, ministerial-level agencies, People's Councils and People's Committees were thematically checked); (4) Researching and providing opinions on the signing and approval of international treaties related to the banking sector such as EVIPA, Agreement on mutual assistance in the field of customs between Viet Nam and the United States, UKVFTA, etc.; Reviewing trade policies under WTO framework; Providing comments to the settlement of foreign disputes related to the SBV's state management domain; (5) Regularly updating and monitoring the implementation of newly issued legal regulation documents (05 laws, 15 decrees; 02 decisions of the Prime Minister; 02 directives of the Prime Minister); reviewing the actual implementation of 03 laws, 02 ordinances, 01 decree; monitoring law enforcement on thematic issues to propose amendments, supplements or promulgation of new documents to meet management requirements, thereby improving the consistency and transparency of the legal system.

6. Issuance and vault operation

Cash issue and regulation

In 2020, cash supply and regulation by the SBV was carried out based on forecast of cash demand of the economy and level of cash reserves at the SBV provincial and municipal branches to meet local demand in both value and denomination structure. At the end of the year and before Lunar New Year, the SBV promptly developed an appropriate cash regulation plan; allocated maximum resources on cash transfer and delivery to improve the level of cash reserves for each unit, rapidly responding to sudden increase in demand for cash. The supply of cash to local CIs, state treasury units was well performed by the SBV branches, thus the shortage of cash was avoided. In addition, with a view to improving the quality of cash in circulation, the SBV also focused on researching and developing criteria for unqualified cash to be applied to cash sorting machines, thus helping modernize the cash categorization across the banking system.

Vault safety operation

In 2020, the SBV organized 02 online conferences on vault safety and cash operation; at the same time, continued to review and supplement a number of guidances for vault operations in order to realize the



Effectively implement issuance and vault operation, ensuring safety for the system and monetary security.

professional process, ensuring the principle of constant inspection and supervision; conducted inspections on vaults safety throughout the sector to address and overcome shortcomings at each unit under the SBV, ensuring the utter safety of cash, funds, valuable papers managed and preserved by the units.

Counterfeit deterrence

The SBV promptly analyzed, evaluated, informed and warned newly appeared types of counterfeit cash in the banking and the state treasury systems; actively monitored the seizure of counterfeit money in the banking and state treasury systems. In addition, the SBV provided professional training on counterfeit spotting skills for more than 400 cashiers and tellers working at CIs and state treasury units in cities and provinces; at the same time, closely collaborated with relevant agencies to implement preventive and combative measures against counterfeit cash and to protect Viet Nam's national cash.

7. Payment operation and digital transformation

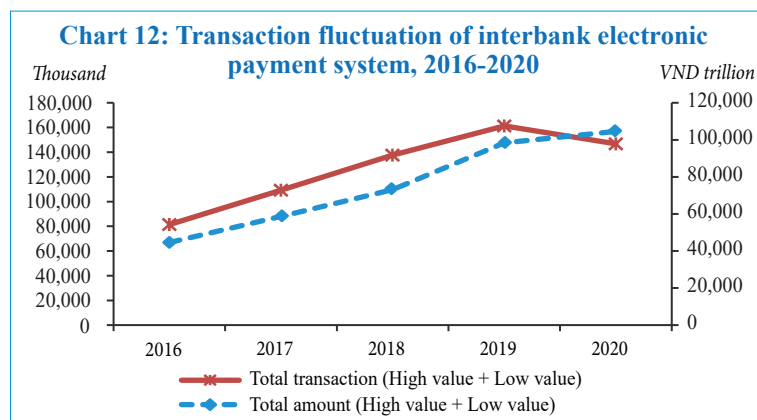
Payment system modernization

The legal framework for non-cash payments continued to be studied and improved; while payment infrastructure and technology get special attention for investment, improving quality and promoting efficiency, ensuring system security and safety; in combination with the development of a variety of products and services to meet the needs for payment of the economy, especially with the increasing demand for non-cash payment amid the pandemic.

In 2020, there were more than 79 payment service providers implementing Internet payment services and 45 payment service providers servicing via mobile phones. The number of transactions via the Internet was more than 475.5 million, with the value of about VND 27.7 quadrillion (increased by 13.3% and 24.8% respectively year on year); the number of transactions via mobile phone was more than 1,183.3 million, with the value of nearly VND 12.6 quadrillion (increased by 114.2% and 118.4% respectively year on year). In 2020, there have been 20 banks deploying QR Code payment services; the number of transactions by QR Code was recorded at 16.2 million, with total value of nearly VND 9.6 trillion.

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The payment system continued to be modernized with stable, safe, convenient, and secured operation, well serving the need for payment in the economy.



Source: The SBV

In addition, the presence of 39 non-bank organizations licensed by the SBV to provide intermediary payment services 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. In 2020, the number of domestic payment transactions via bank cards reached over 399.4 million with a value of VND 871.6 trillion (increased by 22.1% and 9.1% respectively year on year). Commercial 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 2020 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. By end of 2020, the interbank electronic payment system had connected with 300 member units under 101 members participating in the system, including: National Payment Corporation of Viet Nam (Napas), 64 member units of the State Treasury, 64 member units of the State Bank of Viet Nam and 172 member units under 98 member CIs. The total number of transactions via the interbank electronic payment system in 2020 reached 146,800 million with the value of VND 104,559 trillion (increased by 6.26% in value year on year).



The SBV also directed the entire banking sector to actively implement solutions to promote non-cash payments in the public sector, integrating online payment on the National Public Service Portal. By the end of 2020, there were about 50 commercial banks having agreement to coordinate electronic tax collection with Taxation and Customs authorities in 63 provinces/cities and districts across the country; of which more than 20 banks have completed the connection for electronic tax payment and 24/7 customs clearance; 99% of enterprises registered for electronic tax payment and 95% of Customs revenues were made via banks; 27 banks and 10 intermediary payment service providers collaborated to collect power bills, up to nearly 90% of EVN's power bill revenue were collected via banks; 30 hospitals connected to apply electronic fee payment, some of which have recorded of non-cash fee payments at 35%.

Digital transformation in banking operations

The SBV developed and issued an Action Plan for proactive application of science and technology towards adaptation to the Fourth Industrial Revolution and development of Vietnamese digital technology enterprises to promote Digital Transformation in banking operations.

In 2020, 95% of commercial banks developed or planned to develop the digital transformation strategy, in which 38% of banks approved digital transformation strategy or integrated it into a business/information technology development strategy; while 42% has been developing a digital transformation strategy. Most banks have applied technical solutions and new technologies in operation and service provision, of which 9/19 operations have been completely digitized (savings, term deposits, payment account opening and utilizing, bank cards, e-wallets, money transfer, HR management, accounting - finance, etc.). In addition, technical solutions and new technologies such as cloud computing, big data analysis, process automation by robotics, AI, Block chain, eKYC, etc. have been strongly applied in banking operations and product and service provision. In addition, the recent cooperation between banks and Fintech companies has contributed to expanding the digital ecosystem, bringing experience and many practical benefits to customers.

A number of banks have built data storages with centralized and standardized digital infrastructure which allows sharing and integration to create digital ecosystems spanning various industries and fields such as the mobile banking ecosystem connected with public services, financial services, telecommunication, electricity, transportation, healthcare, shopping, e-services, etc.

Management of payment operations and oversight of payment systems

The legal framework for payment operations keep being reviewed, supplemented, and improved to encourage non-cash payments, and application of new technologies and digital transformation in banking operations in a supportive and synchronized manner, ensuring payment security and safety. Accordingly, the SBV has focused on amending, supplementing, and improving the regulations on payment account opening via electronic method (eKYC); regulations on adjustment of payment service charges; regulations on bank cards, etc.; researching and proposing the pilot implementation of using telecommunications accounts to make payment for goods and services with small value (Mobile-Money), regulatory sandbox for Fintech activities in the banking sector, cross-border payments, and payment agents.

Oversight activities of payment system continued to be renewed and strengthened on the basis of implementing Payment System Oversight Strategy in Viet Nam for 2014-2020 periods in combination with daily online monitoring of the interbank electronic payment system and periodic oversight of foreign currency payment system, securities payment, switching system, ATM, and POS. The oversight of the provision of payment intermediary services was also enhanced to ensure security and effectiveness of payment operations.

8. Credit information

Credit information operations continued to be maintained in stable manner, actively contributing to the implementation of the action plans of the banking sector and the improvement of credit access index in Viet Nam. These have reaffirmed the position, role and significance of credit information in Viet Nam's financial infrastructure, contributing to the nation's development.

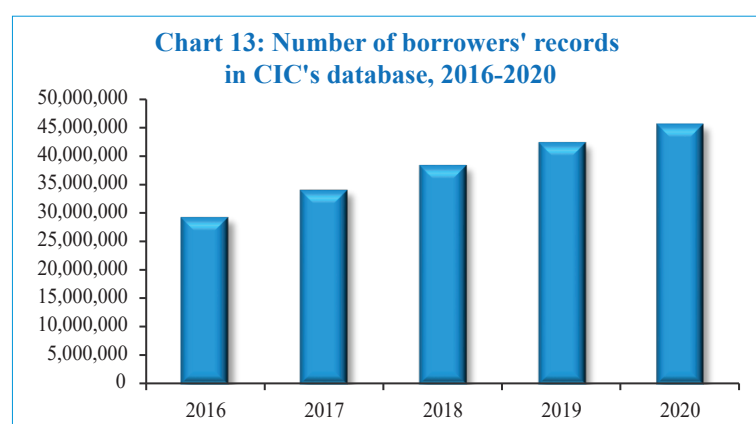


*Effectiveness
enhancement in the
operations of Viet
Nam's National
Credit Information*

Development of database of national credit information

CIC continued to expand database, increase quality and credit information coverage, and maintain the conventional information sources from CIs in a sustainable manner while unconventional ones from other organizations and retail companies were also employed. According to “Doing Business” report published by the World Bank in the recent years, the depth of credit information index in Viet Nam impressively increased from 5 in 2015 to 8 out of 8 points in 2020; credit information coverage increased from 41.8% in 2015 to 59.6% in 2020, which was higher than the average level of the Asia-Pacific region and OECD countries. In 2020, credit information coverage continued to be improved compared to that disclosed in 2019, increasing the total number of customers in the national credit information database to over 45.6 million (over 1.3 million legal entities and nearly 44.3 million natural persons), exceeding 30% compared to the set target in the Development project during period of 2015-2020.

Center contributed to information transparency and system safety risk prevention in banking activities.



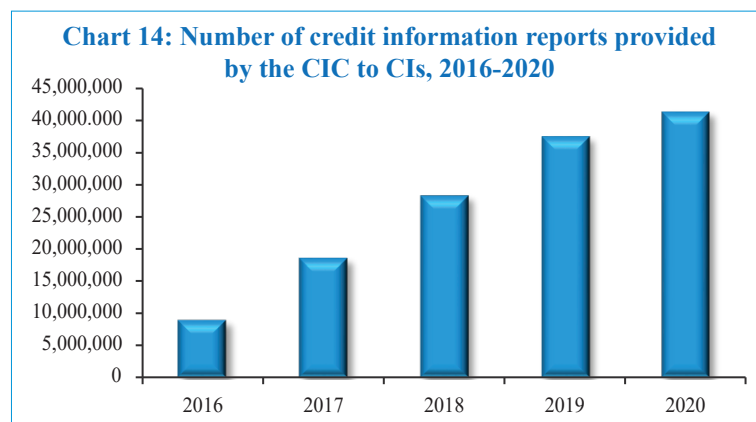
Source: The SBV

Provision of credit information

Information was timely provided to support the SBV's direction and management activities, facilitate the advising, inspection and supervision of banking operations of relevant units, and provide high-quality credit information service (including more than 40 million credit reports and augmented products such as credit rating, credit scoring and data packages for CIs to develop risk management models in compliance with Basel II standards).

With regards to the business credit rating model, CIC conducted assessment and verification on a regular basis to maintain quality and implemented periodic credit rating for 1 million legal entities. In 2020, CIC completed a new credit scoring model for natural persons 2.0 in accordance with international standards, which could conduct credit scoring for more than 44 million natural persons in the database. CIC's new models contributed to improvement of credit information transparency and facilitate borrowers to equally access credits in the market.

In the context of implementing Circular No. 01/2020/TT-NHNN dated March 13, 2020, CIC timely issued guiding documents for CIs to report customers' information according to Circular No. 01/2020/TT-NHNN, on that basis to update the information which needed adjustment of more than 284,000 customers according to Circular No. 01/2020/TT-NHNN. The information was timely used in credit rating and scoring activities of customers, helping to ensure the rights and facilitate the people and businesses in increasing credit accessibility.



Source: The SBV

With aim to support CIs to reduce operation costs and lending interest rate to facilitate people and businesses in credit access and share difficulties with customers impacted by Covid-19 pandemic, CIC reduced twice the price of products, services and provided information for the VBSP to support their lending programs to pay salaries of employees terminated due to Covid-19 pandemic with the total value reduced for CIs of approximately VND 200 billion.

Application of new technology in CIC's operations

In 2020, CIC successfully implemented the expansion of information provision methods (Host to Host) (which connected based on API standards - or so called general connection interface for one application) with CIs. This method created information exchange channel between CIs and CIC on a fast and convenient manner, reducing human intervention into the process of deploying and using information, increasing security, safety and effectiveness of credit information exchange. The API standard-based connection method received a number of positive feedbacks from CIs and other units using this service, and was expected to become the main trend in credit information transmission in the coming time.

9. Communication and information transparency

Communication activities of the SBV continued its focus on policies set by the Party, the State and the Government, the SBV's management of monetary policy and banking operations; timely responses to issues of media and public's interest; improving public confidence; ensuring information transparency in accordance with the law and international commitments; proactive disclosure of accurate and timely information of the SBV; enhancing state management in communication of the banking system. To ensure the smooth and effective implementation of policies, SBV paid attention to the communication before, during and after issuing new policies, and the methods of communications were regularly renewed and diversified. SBV's portal which was continuously improved and renewed became the information connection channel between the SBV and the public to meet the increasing demand of communication on banking and monetary activities.

Noticeably, with aim to implement the national financial inclusion strategy and the Government's projects such as: the non-cash payment scheme, scheme of improving access to banking services for the economy, Project on promoting public service payment through banks, the SBV proactively carried out financial education and communication programs such as "Good money, wise money", "Smart kids", "Smart money", "Correct understanding of money"... and received positive feedback from the public, creating widespread in the community.



Important results continued to be made in information and communication activities, creating the confidence of businesses and people in the management of monetary policy and banking operations, making a positive contribution to the overall performance of the industry.

Part III - Internal Governance

1. Internal audit



Internal audit and control continued focusing on issues with potential risks to enhance the quality and ty of the SBV's operation.

In order to continue improving the legal framework on internal audit and control of the SBV, the SBV issued Circular No. 06/2020/TT-NHNN dated June 30, 2020 regulating internal audit and control of the SBV (replacing Circular No. 16/2011/TT-NHNN dated August 17, 2011). In 2020, the SBV conducted internal audit at 27 units of the SBV and issued 56 thematic internal audit reports. The audit emphasized on assessment of the industry's laws, regulations and policy compliance, adequacy, effectiveness and efficiency of the internal control system within the audited units, focusing on potentially risky areas (safety and security of information systems, management, inspection and supervision of CIs, especially the People's Credit Fund, security of assets at vaults and funds, financial management, construction investment, assets procurement, etc.). In addition, the SBV continued providing instructions to its units to efficiently perform their internal self-inspection and control. The internal audits helped units rectify existing shortcomings, review and enhance internal processes and regulations to improve its efficiency and effectiveness in management and administration; ensure applicable laws and regulations compliance, operate in thrift and anti-waste manner; enhance SBV's safe and effective operations.

2. Human resources and training

Staff, personnel structure and management

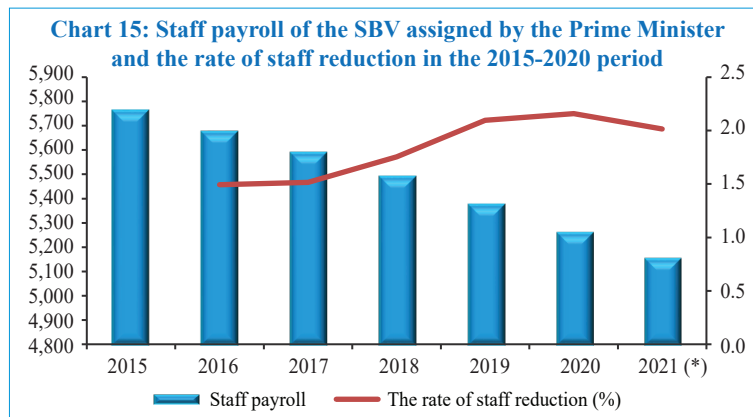


The SBV organization continued to be structured in a streamlined, efficient and effective manner in line with the Party

The SBV continued its review and adjustment of organization structure in a streamlined and efficient manner, focusing on the following issues: (1) Approve the personnel structure of CIC's Management Board; (2) Actively coordinate with the Ministry of Home Affairs to develop and finalize the draft list of specialized professional positions of the SBV to submit the Central Organization Department and the Ministry of Home Affairs; (3) Review, arrange and complete the organizational structure of affiliated units in accordance

with current regulations on organizational structure, employment positions and headcounts of civil servants and public employees.

Regarding personnel management, in 2020, the SBV approved the plan to provide employees and labor contracts to the non-business units of the SBV; assigned headcounts to departments and agencies at the SBV's Headquarters and 63 branches in provinces and cities depending on the volume and complexity of the work. The SBV proactively balanced the management and utilization of headcounts economically and strictly within the headcounts quota assigned by the Ministry of Home Affairs and without over-staffing; at the same time, developed an overall and detailed annual roadmap, ensuring a minimum reduction of 10% of headcounts by 2021 compared to 2015. The following graph showed the headcount figures assigned for 2015-2019 period and expected figure for 2020-2021 period:



Source: The SBV

(*) Planned headcounts for 2021.

Regarding the recruitment of civil servants, the SBV focused on researching and developing recruitment plan following the Scheme on employment position of SBV units with an emphasis on innovation and improvement of recruitment quality. At the same time, in order to further improve the transparency and objectivity of the recruitment work and shorten time and costs of recruitment exam arrangements and meet the Government's administrative reform requirements, in 2020, the SBV applied information technology in recruitment work in form of computer-based multiple-

and Government's policies. The quality of human resources at unit level had been improved. Staff trainings and capacity building were moving towards international practices and standards.

choice exams in 04 cities of Ha Noi, Da Nang, Ho Chi Minh and Can Tho; exams results were publicly uploaded on the website of the SBV.

Regarding personnel management, pursuant to the Resolution of the Seventh Conference of the 12th Party Central Committee and Decree No. 90/2020/ND-CP dated August 13, 2020 by the Government, in 2020, the SBV issued the Regulation on quality assessment and classification of civil servants, public employees, managers and representatives under the management of the SBV (Decision No. 2161/QD-NHNN). December 17, 2020). Annual assessment results make the foundation for trainings, fostering, planning, appointment, re-appointment and settlement of other regimes and policies for staff.

Training and retraining activities

The implementation of the 2020 Training and Retraining Plan ensured the required progress, met practical needs and followed the principle: “job based position requirements”. The training courses which had been designed in accordance with reality, were organized in a timely manner, thereby received the support and high appreciation of students and the SBV heads of departments. In particular, in 2020, the SBV’s training and retraining activities promptly were adaptive to the Covid-19 pandemic through enhancing online training, promoting the application of information technology in training and development, development of new forms of training such as online video conference system, E-learning and virtual classrooms apart from traditional training. In 2020, the SBV organized 131 training courses, increased by 32% compared to 2019; the total number of cadres, civil servants and officials was 15,726 turns of students, increased by 117% compared to 2019. About 90% of the lecturers speaking at the courses were staff from the SBV departments and units; training programs were standardized with clear objectives, suitable training subjects, closely linked with competency frameworks, job positions and human resource development requirements in banking sector. At the same time, the SBV focused on mobilizing, cooperating and taking advantage of

international support financial resources for training and retraining activities through cooperation programs and projects with IMF, SEACEN, ADB, WB, JICA ,...

3. Scientific research activities

The SBV chaired and implemented 04 state-level projects; 37 scientific research tasks at ministerial-level; 09 scientific research tasks at elementary level, focusing on the following issues: (1) Completing the legal framework for the management and administration of banking operations; (2) Researching scientific and practical arguments to support the operation of monetary policy, credit and exchange rate; (3) Modernizing banking governance and strengthening the soundness of the CI system; (4) Researching to support the objective of improving the efficiency and effectiveness of banking inspection and supervision activities; (5) Strengthening research and development of application of modern banking technology in operation management and development of banking services; (6) Other research contents to support the operation of banking system.

In 2020, given the influence of the Covid-19 pandemic, the State Bank of Viet Nam organized 01 national seminar “*Intelligent data management in banking and finance - iDMBF2020*” and 01 sectorial level scientific conference “*Consumer protection used financial services - International and practical experience in Viet Nam*”. The contents discussed at the seminars focused on exploiting new problems posed to the banking sector, recognizing the practical conditions of Viet Nam in order to propose solutions, recommendations, and strategic orientations to contribute to the promotion of sustainable development of the banking sectors in the coming years.

4. Statistical work

In order to improve the quality of statistical data, the SBV focused on urging, checking and guiding CIs to make statistical reports to ensure accuracy, timeliness and completeness for analysis, forecasting and administration of monetary policy. In addition, the State Bank of Viet Nam has stepped up the rectification and handling of violations, ensuring discipline in the process of implementing regulations on statistical reporting.

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Scientific and technological activities of the banking sector continued to closely follow the goals and tasks set for the banking sector and made significant contributions to theoretical and practical research for the operation of the banking sector.

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Statistical work of the SBV has continued to be enhanced

and developed, contributing to the direction and administration of SBV.

The SBV continued to carry out monetary statistical surveys, timely completed and ensured the quality of the carried out work including Monthly Inflation Expectations, Quarterly Business Trends, Periodic Credit Trends every 6 months for CIs; pilot survey of inflation expectations for economists on a quarterly basis. The survey results were timely for analysis, forecasting, planning and administration of monetary policy and management of banking operations. In addition, the SBV has continued to update the information and data base on macroeconomics, domestic and international financial markets, contributing to the analysis, planning and administration of monetary policy.

5. Information technology

Strengthening the state management of information technology



Strengthening the state management of information technology, promoting IT development and modernization, management and governance process; ensuring system security and safety.

In implementation of the objectives in the Strategy on Information Technology Development for the Banking Sector to 2025 with visions to 2030, to comprehensively modernize the management, administration and service provision of the SBV based on advanced IT and e-Government, in 2020, the SBV issued documents to align IT activities with the banking sector development strategy and meet practical needs and requirements.¹⁴ In addition, the SBV organized 10 missions to inspect compliance with IT regulations at CIs and payment intermediaries as well as to correct shortcomings and limitations, helping to ensure operational security and safety of information technology platform across the system.

Development and modernization of the SBV's information technology system

The SBV upgraded the IBPS in model, business and technology. Accordingly, all the activities of 5 regional and 58 provincial processing centers were centralized at the National Processing Center; additional foreign

¹⁴ Circular No. 09/TT-NHNN dated October 21, 2020; Circular No. 10/2020/TT-NHNN dated November 2, 2020; Circular No. 20/2020/TT-NHNN dated December 31, 2020; Circular No. 21/2020/TT-NHNN dated December 31, 2020; Decision No. 1820/QĐ-NHNN dated October 26, 2020; Decision No. 1821/QĐ-NHNN dated October 26, 2020.

currency payment services (USD, EUR) and batch settlement services were added; overall upgrade of equipment, transmission lines and technology to increase payment system performance and completely address the system overload. With the successful transformation of the centralized model of the IBPS system, the SBV completed centralization of IT infrastructure, effective support of daily management and control activities, provision of convenient services for CIs and saving annual investment costs in equipment, operation and maintenance of IT system.

In 2020, the Corebank handled more than 21.45 million transactions, averaging more than 82 thousand transactions per day; for money market auction, 252 OMO bidding sessions with a value of more than VND 25,000 billion, 31 auctions of SBV bills equivalent to more than VND 140,000 billion were settled; the electronic banking system handled 126,193,409 low value transactions with the total amount of VND 3,588,270 billion and 20,609,225 high value transactions worth VND 100,970,675 billion; total transaction value increased by 6.26% compared to 2019. On average, the Reporting System and Data Warehouse received about 10,600 reports from nearly 1,400 data-sending units each day. On peak days, the system received between 24,000 and 29,000 reports.

In 2020, in the face of the complex developments of the Covid-19 pandemic, the SBV directed units throughout the industry to implement plans to ensure the continuous, smooth and safe operation of the IT system, banking information and services; conducted online meeting system on mobile devices, processing documents electronically so as not to disrupt normal activities of the banking industry during social distancing...

Part IV -International Cooperation

2020 marked a year for international cooperation in a very unique context when countries worked together to fight the pandemic and meeting events were conducted online. In that circumstance, this year also recognized important remarks for the banking sector: the SBV and the Ministry of Finance as co-chairs had successfully organized ASEAN and ASEAN+3 high-level conferences in the finance and banking cooperation process; Viet Nam became an official member of the Bank for International Settlements (BIS); Viet Nam took over Country Director position at the Bank at Asian Infrastructure Investment Bank (AIIB) for the term between July 01, 2020 and June 30, 2022. SBV also focused on developing relationships with international partners, increasing mobilization of financial and technical resources, and policy advice for the SBV and Viet Nam, thereby actively contributing to the stability of macroeconomics, promote integration process and enhance Viet Nam's position in the international arena.

1. International economic integration

In 2020 when Viet Nam assumed the ASEAN Chairmanship, the SBV successfully organized a series of working group meetings, the ASEAN Senior Committee on Banking Integration, meetings of ASEAN and ASEAN+3 Central Bank Governors and Finance Ministers, policy dialogue sessions of ASEAN Central Bank Governors with the US Business Council, European Business Council and CEOs of regional commercial banks. Thanks to the great efforts of the entire industry and coordination with member countries, the SBV successfully proposed and promoted 02 cooperative initiatives among regional central banks, including the initiative to promote regional payment connectivity and the Sustainable Banking Principles Initiative to modernize and improve the efficiency of the regional payment system and develop principles for ASEAN commercial banks with the goal of sustainable development for the banking sector and ASEAN economies.

In addition to new initiatives, the SBV has actively coordinated with regional central banks finance ministries

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Deeper integration into global and regional economy.

to implement cooperation programs as planned at the beginning of the year. For ASEAN+3, in coordination with co-chair (Japan), the SBV and ASEAN+3 members continued discussion and proposed practical solutions to improve the readiness of the CMIM Agreement by reaching consensus on many important documents and contents of the Agreement.¹⁵ At the high level meeting, the regional Central Bank Governors and Finance Ministers highly appreciated the initiatives proposed by the SBV and endorsed the proposals and asked working group level to continue explore relevant contents to apply across the region in the coming time.

The SBV continued to strengthen the traditional friendship and comprehensive cooperation between Viet Nam and APEC in banking and finance sector by regular policy dialogue exchange and joint implementation of a number of regional cooperation initiatives. SBV proactively engaged in negotiations to help to speed up the signing of mega free trade agreements (FTAs) including contents related to the banking sector; issuance of Action Plan of the FTA between Viet Nam and the European Union (EVFTA); closely coordinated with concerned ministries and agencies to complete procedures for the signing of the Regional Comprehensive Economic Partnership (RCEP) and the UKVFTA...

The SBV worked closely with the South East Asian Central Banks (SEACEN) to review and approve important matters related to SEACEN's operations. The institution has been in preparation to host the SEACEN Board of Governor Conference (BOG) in 2021.

In 2020, Viet Nam participated in the G20 Finance Process, an important forum to introduce global initiatives and policies in finance, monetary and banking with the role of ASEAN Chair. The Governor of the SBV, on behalf of ASEAN members, called for G20's

¹⁵ Including increase of the CMIM access limit from 30% to 40%; allow contribution in local currencies on a voluntary basis and subject to the needs of members; amend the reference interest rate of the CMIM Agreement; update CMIM Manual Swap; approve the Guidelines for the CMIM Conditionality framework; amend and supplement the 2019 CMIM Agreement; participate in the 11th CMIM test run in real money transfers (test-run 11).

support for ASEAN’s initiatives. The active and proactive participation of the SBV supported connecting ASEAN’s initiatives and activities with G20 countries, especially measures to respond to the Covid-19 pandemic under G20 framework.¹⁶ Along with SBV’s active participation, Viet Nam’s guidelines, policies and achievements in realizing the dual goals of effective disease prevention and socio-economic development had been communicated to G20 countries and international organizations, contributing to improving the image and position of the country in general and the SBV and the banking industry in particular at multilateral forums.

For WTO cooperation, the SBV actively studied and proposed suggestions to further improve the legal framework, creating a basis for effective and equal integration of the banking sector. The institution also coordinated with ministries and agencies to prepare and provide contents for the second round of Trade Policy Review session within the framework of the Agreement establishing the WTO. At the same time, the SBV proactively joined discussions and assessment sessions on member economic and financial developments and policy responses to consult and propose relevant policy measures, contributing to promote multilateral economic cooperation, expansion of service markets, and improvement of regional and international monetary-banking cooperation at multilateral forums.

2. Cooperation with 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, and IIB through maintaining and developing cooperation, enhancing consultation, communication on policies, thereby tightening relationships with these organizations.

¹⁶ Financial support packages for developing and low-income countries, debt repayment initiatives for the poorest countries, extension of implementation time, relaxation of some regulations in the implementation of international standards in the management and supervision of the financial system, support to promote the allocation of Covid-19 vaccines on a global scale...



Enhancing cooperation and strengthening position in international financial and monetary institutions.

2020 experienced a remarkable achievement in the process of international integration of the SBV and the banking sector, finalizing the goals set out in the Master plan of “*Promoting participation in regional and international financial - monetary - banking institutions*” and the Action Plan for the implementation of the Scheme for the 2016-2020 period approved by the Prime Minister in Decision No. 2183/QĐ-TTg dated November 14, 2016 in order to enhance the effectiveness of participating in international monetary and financial institutions that the SBV represents on behalf of the Government and State of Viet Nam in the new period. The highlight in the implementation of the above project was that the SBV officially joined BIS, becoming the 63rd member of this organization in 2020. Participation in the BIS helped the SBV being recognized and appreciated in the international financial community and opened up opportunities for the SBV to directly participate in the process of formulating and implementing standards, principles, criteria and practices of financial, monetary and banking activities in the world; thereby strengthening the transparency, competition, safety and efficiency of the domestic banking and financial system, towards the development level of countries in the world.

In relations with the AIIB, Viet Nam was honored to hold the position of Constituency Director at AIIB for the term of July 01, 2020 - June 30, 2022. Holding the highest position in the Constituency at an international financial institution, the SBV was responsible for managing duties within the Constituency and officially representing the Constituency participating in the governance and administration of the AIIB. This was not only a favorable position to directly protect Viet Nam’s rights and interests at AIIB, but also supported the effective access of Viet Nam to AIIB’s financial resources. In July 2020, the first AIIB loan to Viet Nam which valued USD 100 million was approved.

In relations with the WB, the SBV mobilized and signed to receive the technical assistance project “*Viet Nam’s emergency response to the Covid-19 pandemic*” funded by the WB worth more than USD 6.2 million. Currently, the SBV was implementing technical

assistance “*Strengthening the Development and Soundness of the Banking Sector in Viet Nam*” funded by the State Secretariat for Economic Affairs (SECO) and entrusted through the World Bank with a value of about USD 7.2 million in order to strengthen the development and soundness of the banking sector, handle existing and structural limitations in the banking system, aiming to meet international standards and contribute to macroeconomic - economic stability.

In the context that Viet Nam graduated from the WB’s IDA and ADB’s COL, the SBV actively exchanged, expressed views and advocated for these two organizations to have post-transition support policies to help Viet Nam have time to adapt to new loan conditions. In 2020, the SBV actively negotiated and WB agreed to suspend the implementation of an accelerated repayments clause applied to IDA loans by one year, thereby helping the Government of Viet Nam focus resources on Covid-19 pandemic prevention and economic recovery.

In relations with ADB, the SBV mobilized and received the technical assistance project from ADB for “*Support to mitigate the impact of Covid-19 Pandemic for women-led medium and small-sized enterprises*” with an amount of USD 5 million; fulfilled the procedure to receive the technical assistance project for “*Promotion of transformative gender equality agenda in the Asia-Pacific region*” with an amount of USD 4 million and implemented many other technical assistance projects in many areas such as green finance, financial technology (fintech), financial inclusion, etc. Also, the SBV requested ADB to provide resources for technical assistance related to value chain finance, green finance and finance banking.

In relations with IMF, the SBV continued to cooperate closely with IMF Office in Viet Nam, the SEAGV Group Office to exchange and update information and data and actively participated in the IMF’s activities. In the context of the Covid-19 pandemic, IMF continuously prepared forecasting reports and economic scenario analysis, thus providing policy advice to the Government of Viet Nam, the SBV and relevant ministries and agencies for solutions to the economy, fiscal, monetary and banking

problems. To assist Viet Nam's ASEAN Chairmanship, in November 2020, the SBV coordinated with IMF to hold a High-level conference themed: “*Securing Growth and Resilience in the ASEAN: Policies for the Post-Covid World*”, aside from the ASEAN Summit in order to establish a forum for ASEAN's member countries to discuss the policy directions to support the economic recovery.

In relations with IIB/IBEC, the SBV continued to involve in developing and amending policies and regulations in order to enhance the efficiency of these two banks; as well as expressed the opinion on approving IBEC/IIB's loans to countries/capital mobilizing organizations and IBEC/IIB's activities. Moreover, the SBV undertook its role as the focal point to coordinate with relevant agencies to implement the Government's direction on Viet Nam's capital contribution to IIB pursuant to the Capital Increase Program for the 2020-2022 period approved by IIB's Board of Governors.

2020 was the year that international financial and monetary institutions developed and implemented many new and important policies for member countries. Undertaking the role as the Government's representative at institutions, the SBV actively researched, proposed and expressed its opinion on new policy directions; reported to the Prime Minister and proposed appropriate policies for Viet Nam in order to harmonize sponsors' policies in line with the Vietnamese Government's Socio-economic development policy priorities. Moreover, in the context of Covid-19, the SBV actively participated in the meeting with Central Banks/Ministries of Finance and International Organizations to consult, share experiences and update policy measures of other countries in order to resonate and disseminate policies in the region.

3. Bilateral cooperation

In line with the Party and Government's orientation and direction on strengthening international integration, in 2020, the SBV proactively promoted bilateral cooperation with different partners in multiple regions, initiated cooperation activities within working groups/taskforces, developed and deepened cooperation with traditional and strategic partners (Laos, Cambodia, China, Thailand, Korea, and Russia). The SBV also

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Bilateral cooperation continued to be strengthened and promoted.

actively established relations with central banks and banking supervisory authorities in potential region, where Governments have intention to promote trade and investment relations like the Middle East, Africa, etc., promoting collaboration in banking sector, facilitating trade and investments between Viet Nam and these countries.

The SBV signed 75 Memorandums of Understanding (MOUs)/Memorandums of Agreement (MOAs) with central banks and banking supervisory authorities. These MOUs/MOAs have laid down the important foundation for promoting cooperation between the SBV and central banks, monetary and banking authorities in areas of mutual interest, such as banking supervision, settlements and payments, human resource capacity building and financial innovation.

In the relation with the important partners, the SBV has actively been the focal point connecting relevant Ministries with the US Treasury in the technical discussion on the “*Macroeconomic and foreign exchange policies of major trading partners of the United States*” report published by the US Treasury and the investigation of currency undervaluation under Section 301 of the Trade Act of 1974 initiated by the United States Trade Representative (USTR). In dialogue with the relevant US agencies, the SBV always affirmed its consistent policy of not using exchange rate policy to create unfair competitive advantages in international trade; and SBV’s management of monetary policy aimed to control inflation and contribute to ensuring macroeconomic stability. The SBV requested the US to make a fair assessment which accurately reflected the characteristics of the Viet Nam economy.

Moreover, the SBV, through bilateral cooperation forums and committees between the Government and other countries, actively proposed cooperation 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.



APPENDIX

APPENDIX 1: INTEREST RATES ANNOUNCED BY THE SBV

Unit: % p.a

Time	Refinancing rate	Rediscount rate	Overnight interbank lending rate
December 2019	6.00	4.00	7.00
January 2020	6.00	4.00	7.00
February 2020	6.00	4.00	7.00
March 2020	5.00	3.50	6.00
April 2020	5.00	3.50	6.00
May 2020	4.50	3.00	5.50
Jun 2020	4.50	3.00	5.50
July 2020	4.50	3.00	5.50
August 2020	4.50	3.00	5.50
September 2020	4.50	3.00	5.50
October 2020	4.00	2.50	5.00
November 2020	4.00	2.50	5.00
December 2020	4.00	2.50	5.00

Source: The SBV

APPENDIX 2: OPEN MARKET OPERATIONS

Bid	2020
Number of sessions	252
Maturity (days)	7; 14
Number of Bidders	37
Average bid volume per session (VND billion)	102
Average success volume per session (VND billion)	102
Interest rate (percent per annum)	4.0; 3.5; 3.0; 2.5
Bidding method	Volume
Ask	Năm 2020
Number of sessions	31
Maturity (days)	91
Number of Bidders	295
Average bid volume per session (VND billion)	41,731
Average success volume per session (VND billion)	4,741
Interest rate (percent per annum)	2.8; 2.69; 2.65
Bidding method	Interest; Volume

Source: The SBV

APPENDIX 3: REQUIRED RESERVE RATIO (*)

Unit: %

Effective time	VND DEPOSITS (**)		FOREIGN CURRENCY DEPOSITS (****)				CI's overseas deposits (***)
	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 CIs	Viet Nam banks for Agriculture and Rural Development (VBARD), Cooperative banks	Other CI's	
5/2011	3	1	5	6	3	4	
6/2011	3	1	6	7	4	5	
9/2011	3	1	7	8	5	6	1

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

(**) CIs with an average density of lending for agricultural and rural development of 40% 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 monetary policy 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) as of September 2011.

(****) Deposits in VND and in foreign currencies of the core deposits subject to the reserve requirement are specified in: (1) Regulations on required reserve for CIs and guiding documents that are amended, supplemented before February 2020; (2) Circular No. 30/2019/TT-NHNN dated December 27, 2019 from March 2020 until now.

Source: The SBV

APPENDIX 4: BALANCE OF PAYMENT

Unit: USD Million

	2019	2020
A. CURRENT ACCOUNT	12,168	12,529
Goods: Export F.O.B	264,189	282,655
Goods: Import F.O.B	242,968	251,930
<i>Goods (net)</i>	<i>21,221</i>	<i>30,725</i>
Services: Export	19,920	6,290
Services: Import	21,421	18,325
<i>Services (net)</i>	<i>-1,501</i>	<i>-12,035</i>
Investment income (Primary income): Receipts	2,237	1,428
Investment income (Primary income): Payment	19,032	17,045
<i>Investment income (Primary income) (net)</i>	<i>-16,795</i>	<i>-15,617</i>
Current transfers (Secondary income): Receipts	11,609	11,427
Current transfers (Secondary income): Payment	2,366	1,971
<i>Current transfers (Secondary income) (net)</i>	<i>9,243</i>	<i>9,456</i>
B. CAPITAL ACCOUNT	0	0
Capital account: Receipts	0	0
Capital account: Payment	0	0
C. FINANCIAL ACCOUNT	18,971	8,215
Direct Investment Abroad: Assets	-450	-380
Direct Investment in Viet Nam: Liabilities	16,120	15,800
<i>Direct Investment (net)</i>	<i>15,670</i>	<i>15,420</i>
Portfolio Investment Abroad: Assets	3	4
Portfolio Investment in Viet Nam: Liabilities	2,995	-1,050
<i>Portfolio Investment (net)</i>	<i>2,998</i>	<i>-1,046</i>
Other Investment: Assets	-7,789	-8,699
Cash and deposit	-8,081	-8,710
CIs	-4,346	-5,687
Other sectors	-3,735	-3,023
Loans	0	0
Trade credit and advances	0	0
Other receivables/payables	292	11
Other Investment: Liabilities	8,092	2,540
Cash and deposit	2,875	180
CIs	2,743	141
Other sectors	132	39
Borrowing and repayment of foreign debts	5,217	2,360
Short term	286	4
Debt	18,385	26,925
Amortization	-18,099	-26,921
Long term	4,931	2,356
Debt	13,030	11,480
Government's debt	2,350	2,015
Private debt	10,680	9,465
Amortization	-8,099	-9,125
Repayment of Government	-1,764	-1,826
Repayment of Privatization	-6,335	-7,298
Commercial Credit and advance payment	0	0
Receivable and Accrued Expenses	0	0
<i>Other Investment (net)</i>	<i>303</i>	<i>-6,159</i>
D. ERRORS AND OMISSIONS	-7,885	-4,111
E. OVERALL BALANCE	23,254	16,632
F. RESERVES AND OTHER ITEMS	-23,254	-16,632
Reserves Assets	-23,254	-16,632
Claims on and borrow from the IMF	0	0
Special Finance	0	0

Source: The SBV

APPENDIX 5: VND/USD EXCHANGE RATE

Unit: VND/USD

2020	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	23,196	23,165	23,305	23,165	23,113	23,240
February	23,224	23,170	23,310	23,219	23,174	23,314
March	23,235	23,500	23,660	23,223	23,289	23,438
April	23,257	23,330	23,510	23,241	23,373	23,553
May	23,261	23,190	23,370	23,256	23,247	23,427
June	23,229	23,120	23,300	23,236	23,132	23,312
July	23,213	23,090	23,270	23,222	23,097	23,277
August	23,200	23,090	23,270	23,209	23,090	23,270
September	23,215	23,090	23,270	23,207	23,092	23,272
October	23,201	23,090	23,270	23,197	23,095	23,275
November	23,155	23,050	23,230	23,179	23,083	23,263
December	23,131	23,035	23,215	23,147	23,040	23,220

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

2020	Gold Price end-month	Average Gold Price in the month
January	44.60	43.70
February	46.50	45.31
March	48.30	47.03
April	48.50	48.27
May	48.87	48.67
June	49.39	48.91
July	57.98	52.48
August	57.40	57.23
September	55.60	56.32
October	56.35	56.31
November	53.75	56.06
December	56.10	55.44

Source: The SBV

APPENDIX 7: CONSUMER PRICE INDEX

Unit: %

Year	Time	January	February	March	April	May	June	July	August	September	October	November	December
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
2020	Year to date	1.23	1.06	0.34	-1.21	-1.24	-0.59	-0.19	-0.12	0.01	0.09	0.08	0.19
	Month on month	1.23	-0.17	-0.72	-1.54	-0.03	0.66	0.40	0.07	0.12	0.09	-0.01	0.10
	Year on year	6.43	5.40	4.87	2.93	2.40	3.17	3.39	3.18	2.98	2.47	1.48	0.19
	Average year on year	6.43	5.91	5.56	4.90	4.39	4.19	4.07	3.96	3.85	3.71	3.51	3.23

Source: General Statistics Office

APPENDIX 8: MONERATY AND CREDIT INDICATORS

Items	2019	M3/2020	M6/2020	M9/2020	2020
Closing balance (VND billion)					
1. Total liquidity	10,573,725	10,755,572	11,118,423	11,485,845	12,110,606
2. Deposit of resident economic entities and individuals	9,375,630	9,432,207	9,873,490	10,204,957	10,772,685
3. Credit to the economy	8,195,393	8,302,412	8,494,504	8,694,050	9,192,566
% Year to date					
1. Total liquidity	14.78	1.72	5.15	8.63	14.53
2. Deposit of resident economic entities and individuals	15.37	0.60	5.31	8.85	14.90
3. Credit to the economy	13.65	1.31	3.65	6.08	12.17

Source: The SBV

APPENDIX 9: GROSS DOMESTIC PRODUCT

Year	GDP at Current Price (VND billion)	GDP Growth* (percent)	GDP Per Capital (VND thousand)
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
2020	6,293,145	2.91	64,490

Source: General Statistics Office

Note: * Compared to 2010 price

BÁO CÁO THƯỜNG NIÊN

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TRẦN CHÍ ĐẠT

Chịu trách nhiệm bản thảo

Phó Giám đốc - Phó Tổng Biên tập

NGÔ THỊ MỸ HẠNH

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Thiết kế: NGUYỄN MẠNH HOÀNG

TRẦN HỒNG MINH

Publishing and contents responsibility

Director - Editor-in-Chief

TRAN CHI DAT

Typescript responsibility

Deputy Director - Deputy Editor-in-Chief

NGO THI MY HANH

Editors: NGUYEN LONG BIEN

NGUYEN THO VIET

Designer: NGUYEN MANH HOANG

TRAN HONG MINH

In 400 cuốn, khổ 20,5 x 29 cm, tại Công ty TNHH In và Dịch vụ Thương mại Phú Thịnh
Địa chỉ: Lô B2-2-5-KCN Nam Thăng Long, Bắc Từ Liêm, Hà Nội
Xác nhận đăng ký xuất bản số: 3916-2021/CXBIPH/3-162/TTTT
Quyết định xuất bản số: 440/QĐ-NXB TTTT ngày 06/12/2021
In xong và nộp lưu chiểu tháng 12 năm 2021
ISBN: 978-604-80-5911-8

Printed 400 copies, size 20,5 x 29 cm, at Phu Thinh Printing and Service Trading Co., Ltd
Add: B2-2-5-Nam Thang Long Industrial zone, Bac Tu Liem District, Ha Noi City
Publishing Plan: 3916-2021/CXBIPH/3-162/TTTT
Publishing Decision: 440/QD-NXB TTTT dated 06/12/2021
Completed and Registered in December 2021
ISBN: 978-604-80-5911-8